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War Debts and the Dollar

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As Debts between Nations Must Be Paid in Goods or Services Changes in the Value of the Dollar May Increase Britain's Burden. Power of Control in This Case Lies Entirely with the United States. Influence of the Federal Reserve Board.

In all that has been written pro and con upon the question of the justice of the war debts, little has been said about the value of the dollar. Yet this is of fundamental import. The debts were contracted and are payable in dollars, and the burden on the debtors will be directly proportional to the value of our monetary unit.

If we forego discussion of the justice of the original obligations and of the fact that they were contracted in dollars which were of much less value than at present, taking these things, in connection with the British debt at any rate, as *res judicatas*, it is clear that the burden of the debt as now agreed upon, ought not to increase except as a result of new borrowing, and ought not to diminish except as a result of payment of any part of the principal, and especially, that it should be in the power of neither party in any other way to increase or diminish the burden of the contract.

But of this there is no guarantee whatever. For unless the value of the dollar remains stable for the next 62 years, the intention of the parties to the present debt agreement will be defeated and injustice to one or the other will result. And not only is it extremely probable that it will not fortuitously remain stable, but, as will presently appear, it may even vary in value by design on our part, while the British government, on the other hand, has practically no control of the situation.

Every Contract a Gamble

It is a matter of common knowledge that one or the other of the parties to a long term contract to pay money is subject to loss as a result of a change in the purchasing power of the money unit arising

in the period which the contract covers, the creditor suffering when that purchasing power falls and the debtor when it rises. Every such contract is therefore something of a gamble, but when it is between private individuals, it is an even gamble, since it is in the power of neither of them to control the aberrations in the value of the money unit. But the case is very different when the contract is between governments one of which has the power to manipulate the value of the money in which the debt is expressed.

Objection has recently been taken to that clause in the refunding agreement with Great Britain which gives the British Government the option of paying any part of the debt in United States Government bonds issued after April 6, 1917, such bonds to be taken at par. The ground of the objection, a sound one in the opinion of the present writer, was that such a provision offered a temptation to the British Government to manipulate the market for such bonds. But nothing was said of the fact, quantitatively far more important, that payment in dollars offers the temptation to our own government to manipulate the value of dollars, as it can very well do if it so desires.

If in Pounds

If it had been proposed that the debt should be paid in a fixed number of paper pounds, it would be plain to anyone that the burden of the debt could be alleviated by inflation and consequent depreciation in the value of British currency, and the proposal would instantly and properly have been rejected. But it has not been so clear that it is within our power to increase the burden of the debt by deflation of the dollar.

The pressure of the debt upon the British people will be subject to two variables, (1) the value of the dollar in the United States, its purchasing power here, and (2) the value of the dollar abroad, the rate of exchange of the dollar for foreign currencies. In the past these two values have been approximately equal but they are no longer necessarily tied together. Of this more will be said presently, let us go now to a consideration of the first variable.

The dollar might be deflated by an act of Congress increasing the amount of gold which would constitute our monetary unit, but it is certainly an implied though not an express part of the agreement with Great Britain that nothing of this sort will be done during the period that the debt runs, at least without a readjustment of the terms of that agreement. Nothing so crudely piratical as this will be attempted, of course, and in truth, it is doubtful if the changes in the value of the dollar which will issue in the next 62 years will be consciously directed at all. Unless our government shows a quite unprecedented intelligence in handling economic and financial questions, we are as likely to cheat ourselves as our debtors through the repercussions upon the value of the dollar of the moves which will be made in the several fields of governmental or quasi-governmental activity. But, from our own point of view, this certainly does not mitigate the evils of the situation.

Other Ways to Deflate

We may, however, deflate the dollar in other ways. So long as the gold standard was generally prevalent and the standard coin of the several nations contained a fixed amount of gold, no one nation, without changing the quantity of gold in its

monetary unit, could control the value of that unit and still maintain the gold standard, for the value of its monetary unit depended upon the value of gold in the world market.

The value of the dollar was then tied to the value of the gold which it contained, but as things now stand, it is much more accurate to say that the value of gold is tied to the value of the dollar.

Under the former conditions when prices rose in this, relative to other countries, that is to say, when the value of the dollar fell, the exchanges tended to move against us until an efflux of gold restored the value of the dollar to the value of gold in the world market, whereas, when the dollar rose in value, an influx of gold brought about the same result. But nowadays a fall in the internal value of the dollar does not promote any considerable efflux of gold, it simply brings about a shifting in trade relations which renders the foreign exchanges somewhat less favorable to us, while a rise in the internal value of the dollar does not promote any great influx of gold since there is little dispensable gold in the world outside our own country; it therefore merely turns the exchanges somewhat more in our favor or, what is the same thing, depresses the value of the monetary units of other countries.

Free coinage and freedom of movement of gold having been abandoned by all the important commercial countries of the world except ourselves, the former world market for gold for minting purposes is now in the United States alone, and the result is that instead of the value of the dollar being determined by the value of gold, the value of gold is determined by the value of the dollar.

Inasmuch then as our own government can control the value of the dollar, they can alter the weight of the debt upon Great Britain. For Britain can secure gold or dollar credits only by the sale of merchandise, and in payment of the stipulated sum in dollars will have to give a greater or less amount of merchandise according as gold and the dollar rise or fall in value.

Now the value of the dollar depends very largely on the policy of the Federal Reserve Board, a quasi-governmental agency the members of which are appointed by the Administration subject to confirmation by the Senate. A liberal discount policy on the part of the Board tends to increase the circulating media of the country through the expansion of both Federal Reserve note issues and of bank credit, while a strict discount policy tends to curtail the circulating media, in the former case depressing and in the latter enhancing the value of the dollar. So far as the internal and external value of the dollar move together, as for the moment we will assume they do, these results will appear in the foreign exchange market as a rising or falling value of foreign currencies.

Expectation of Inflation

EX-CHANCELLOR of the Exchequer McKenna, if he is correctly reported as urging no further deflation in Great Britain on the ground that the pound sterling will rise to par with the dollar (and thereby with gold) if Great Britain merely

sits tight, is obviously counting upon inflation of our currency. His reason for doing so is that the huge gold supply now lodged in this country will inevitably result in an expansion of the circulating media.

This would have been a safe deduction before the passing of the Federal Reserve Act and may be so now. But again it may not be. The Federal Reserve Board has impounded most of the gold but it has given no indication of what it considers a normal reserve ratio and there is no custom or precedent in the matter. W. P. G. Harding, ex-Governor of the Federal Reserve Board, has recently stated that it might properly be set at 70 per cent. to 75 per cent., and if this suggestion is adopted, inflation may be checked; indeed, as the volume of trade grows may even be reversed, and we shall have no such efflux of gold as the present governor, Mr. Crissinger, seems to expect, until, at any rate, the foreign exchanges of important commercial countries rise to par, and by no means certainly, even then. From this it follows that our government, through the Federal Reserve Board can control the internal value of the dollar and very materially affect one way or the other the sacrifice which the British must undergo in the payment of the debt.

Internal and External Values

MR MCKENNA'S advice is dependent upon a further assumption, justifiable in ordinary times, but dubious at present, viz., that the internal and external values of the dollar will always be approximately equal, or to put it in more technical terms, that the foreign exchanges will move in line with purchasing power parity. The condition upon which this assumption is valid is a relatively free movement of goods. Thus if sterling exchange should fall below purchasing power parity in respect to the dollar, we would ordinarily expect an increase in our buying in England and a decline in their purchases from us and this would provide a larger supply of dollar exchange relative to sterling and thus bring the rate to purchasing power parity. But if we continue to curb our foreign buying by high tariffs and realize the hopes of self sufficiency which many of our legislators indulge, we shall cut down on the supply of dollar exchange and so raise the external value of dollars.

No doubt our exports would suffer concurrently but if we suppose the extreme case of a total disappearance of our foreign trade, Great Britain would still owe us \$160,000,000 to \$180,000,000 annually on the debt with no dollar exchange available from trade* with which to pay it. In these circumstances dollar exchange might rise to fantastic heights in terms of foreign money and the extreme case here cited will serve to show the tendency of measures consciously or unconsciously restrictive of the supply of dollars in the foreign exchange market. Our virtual corner of gold would tend to compel payment in dollar exchange rather than gold and the high price of the former would mean a correspondingly large sacrifice on the

part of our debtors, a correspondingly large part of their annual product being diverted to payments on the debt.

This possible rise in the external value of the dollar in relation to its internal value is, I think, of no great practical importance since much more drastic measures in restriction of the supply of dollars in the foreign exchange market are requisite than are at all likely to be taken. Further, the possibility of a *fall* in the external as compared with the internal value of the dollar is quite negligible. Yet the persistent divergence of the external and internal values of the mark shows that this whole phenomenon is not purely fanciful.

None the less the important thing is not the external but the internal value of the dollar since this latter is almost certain to shift materially in the course of 62 years, while the probability of any serious divergence between its internal and external values is very small. The external value will in all likelihood move *pari passu* with the internal.

Burden Becomes Heavier

NO economist would be so rash as to attempt to project a prediction of the value of gold (and so, if we hold to the gold standard, of the dollar) throughout the period during which the British debt is to run. But the guess of a great majority of them would surely be that whatever the next few years may bring the long-run trend will be in the direction of a higher value of gold (lower gold prices). If this guess proves correct, the burden of the debt on Great Britain will grow progressively heavier in the volume of goods necessary to amortize it, and the particularly unjust thing is that, for some years at least, control of the movement in the value of gold lies with our own government, one of the parties directly concerned. Fortunately for the world's peace and our own honor, it is not at all certain that we shall take a Shylock's advantage of the situation. For though cupidity might here tempt us to espouse the policy of deflation, that policy, through the interest of powerful groups in this country, will meet with too much opposition to stand any great chance of conscious adoption. The movement in the value of gold and of the dollar will much more probably be the sport of blindly apprehended forces which may operate on one side or the other but will in any case defeat the obvious intention of both parties to the present agreement that the debt be paid in the stipulated number of dollars of the present purchasing power.

If There Is Inflation

THE case is one which clearly called for the use of index numbers of United States prices, and for the adjustment of the annual payments on the debt to accord with the index number for that year. In the absence of such a provision in the agreement with Great Britain, the case for the exercise, in favor of stabilization of the present price level, of such influence as the Federal Reserve Board possesses is strongly reinforced. If inflation takes place we cheat ourselves, if deflation takes place we lay ourselves open to the charge of perfidy.

(*) Though there would be a supply from tourist expenditures abroad, from the receipt by foreigners of interest and dividend payments of American companies, from Americans living abroad to take advantage of the favorable exchange rate and from several other sources

Reserve Policy and Excess Gold

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Our Excess of Gold Creates an Abnormal Situation. Gives a False Sense of Abundance. Cannot Expect to Retain the Metal Permanently. Affects of the Inflow on Credit. Prevention of the Expansion in Bank Credit on Account of Great Holdings.

WE have in the United States something like two billion dollars more gold than we had in 1914. We have about nine hundred million dollars more gold in the country than we had in April of 1917, and an excess of gold is still coming in. Gold is coming, moreover, from the very countries which need it most if they are to restore, at an early date, their currencies to a gold basis.

This excess of gold represents an abnormal and even dangerous situation, whether viewed from the standpoint of American interests or of world equilibrium. The lack of gold in the outside world is a grave handicap to the soundness of international credits and to the stability of foreign currencies. The presence of the excess gold in the United States gives a false sense of abundance of capital, makes interest and discount rates unduly low, and tempts us to employ both money market funds and investor's money in uneconomical ways.

Money and Capital

REAL capital grows through the surplus of production over immediate consumption. Real capital grows as labor and existing resources are applied to the production of goods which serve in further production or which are available for deferred consumption, instead of being exclusively designed for immediate consumption. Real capital consists of buildings, bridges, road beds and equipment of railroads, machinery, flocks and herds, goods on shelves, work animals, artificial soil fertility and the like. As a result of four years of war and four years of demoralization following the war, very much of the world has been consuming more than it has been producing for eight years, living either on its own capital or on capital obtained from other countries. Practically without exception the rest of the world has reduced its rates of capital accumulation.

We felt this shortage of capital very acutely as a money market phenomenon late in 1919 and in 1920, at the height of the boom and in the crisis. It has, however, been masked in the American money markets since the drastic liquidation of 1921 by two factors:

1. We had approximately a million dollars of gold come in from foreign debtors in 1921 and 1922 which, even though deposited in the Federal Reserve Banks, none the less increased the reserve money of member banks, and checked or greatly restricted the liquidation that would other-

wise have occurred in the volume of Federal Reserve notes. This has contributed to ease in the short time money markets, making rates lower than they would otherwise have been, and giving the banks funds which they could use and did use in building up their investment account, which ultimately reacted on the rates for long time securities also.

2. Earning assets of the Federal Reserve Banks have been maintained at a point far greater than the needs of the situation called for. In April of 1917, the general average of commodity prices was 10 per cent. to 20 per cent. higher than the average for 1922, and was well above commodity prices of June 1, 1923, while general business activity was greater than it is at the present time, since our farmers were then sharing in the general business prosperity. Moreover, we were then financing a large excess of exports over imports, while we now have an import surplus. We had at that time, however, nine hundred million dollars less of gold in the country than we have now, and the "total earning assets" of the Federal Reserve Banks were, at that time, about two hundred million dollars instead of the approximately twelve hundred millions of the first half of 1923.

The situation then, however, showed little strain. The volume of money and bank credit was adequate for the commercial needs of the country. It is clear, therefore, that our extra gold and our extra billion dollars of Federal Reserve Bank credit represent unneeded additions to the basic money and bank credit of the country. It would appear further that their existence must inevitably mean lower money rates and lower interest rates than would otherwise obtain, and that they are making the underlying shortage of real capital.

Reserve Bank Credit

UNDER existing conditions, an increase of Federal Reserve Bank credit, whether through rediscounts or through open market purchases, acts upon the Reserve situation and upon money market rates in practically the same way that new gold coming into the country acts. It increases the money available as reserves for other banks or as circulating medium for the country, and such an increase inevitably makes for lower interest and discount rates, other things equal.

A commercial bank is limited in its lending power by its ability to keep its deposits up and to protect its reserves. It is obliged daily to meet its liabilities by the use of

real assets. The case is very different, under existing conditions, with the Federal Reserve Banks. When a Federal Reserve Bank makes a rediscount or an open market purchase, it gives the borrower a deposit credit or Federal Reserve notes, which are its liabilities rather than its assets, and these *liabilities* will be accepted as *final payment* by other institutions with which the borrower deals.

The Ultimate Reserve

THE deposit liabilities of the Reserve Bank count as ultimate reserve for the other banks of the country, and the volume of reserve money is consequently increased through a mere increase in the deposit liabilities of the Reserve Bank. With an increase in the volume of the member banks, there is an immediate tendency to a reduction in the general level of discount rates throughout the country, placing them below the level which open market conditions would otherwise call for and creating a temptation for the uneconomical use of bank funds. There is particularly a temptation to use bank funds in an excessive degree for capital purposes, and for the ordinary banks of the country, misled by the artificial excess of liquid cash, to tie up too great a part of their assets in non-liquid form. The Reserve Bank which makes rediscount notes too low, therefore, instead of performing its function of increasing the liquidity of the banking system, tends rather to destroy the liquidity of it.

There is a minor liquidation upon this distinction between commercial banks and Reserve Banks in that the note and deposit liabilities of the Federal Reserve Bank of New York are not accepted as ultimate payment by the Federal Reserve Bank of Boston or of Cleveland, and that a very great expansion on the part of the New York bank would cause it to lose gold to these institutions. This limitation is of no consequence, however, at a time when all of the banks have very excessive reserve ratios, and it is practically not important even in a crisis when reserve ratios are low, in view of the fact that the Federal Reserve Board can compel one Federal Reserve Bank to rediscount for another, and accomplishes an equalization of reserve ratios by what is virtually a pooling of the gold of all twelve banks.

In a balanced world, the doctrine would be subject to a very serious limitation because, if our Federal Reserve Banks should expand their earning assets unduly, the incoming flow of gold from the outside world

would be stopped, and the outside world would demand gold from us, so that, in considerable part, Federal Reserve Bank credit would be driving out gold instead of constituting an addition to gold in increasing the bank reserves and circulating medium of the country. At the present time, however, this normal check is not functioning. The outside world appears unable to draw gold from us and appears to be under the necessity of meeting urgent obligations here by continuing to send gold.

Trustees of the World's Gold

MUCH of this excess gold we cannot hold it as trustees. Europe will need it again from us in the future years when she has sufficiently reorganized her public finances and her currencies to go back to the gold standard. We cannot treat it as a permanent possession. We dare not make it the basis for non-liquid credits. The volume of it is so great that, if we could look forward to retaining it permanently, it would tend to depreciate upon our hands. The problem is not so much a problem of conserving the physical gold in one big pile as it is a problem of conserving its value and keeping it mobile.

For the protection of this excess gold, by far the greater part of the responsibility rests upon our Federal Reserve System. It would appear that the Federal Reserve Banks should be making unusual efforts and adopting unusually rigorous policies, in view of the abnormal situation, to limit the use of Federal Reserve credits and to prevent an expansion in bank credit in this country growing out of the abnormal gold holdings. The fact is, however, that our Federal Reserve Banks are not even employing the old, normal, sound, prudent restraint which the Bank of England, and other great central banks of Europe, considered neces-

sary in ordinary quiet times—the well-established and traditional principle of keeping rediscount rates above market rates.

"Keeping Above the Market"

SINCE 1871 there has not been a single year when the official bank rate of the Bank of England was not above the market rate on yearly averages. It has occasionally happened for a very short period that the market rate might be fractionally above Bank Rate. This happened in November of 1919, but bank rate was promptly advanced to correct it. It happened in April of 1920. But again Bank Rate was promptly advanced to correct it. Bank Rate in England today stands high above the market rate for bills. The central banks of France, Germany, Sweden, Switzerland, and elsewhere in Europe, have held, almost without exception, to the policy of keeping their official rediscount rates above the market rates. The following figures, covering a series of years, exhibit the relations on annual averages between official bank rates and market

rates in France, England, and Germany, regarded as occasion for a low bank rate, and a low reserve ratio for a high rediscount rate, but many exceptions to this can be found.

2. When sterling is at a premium, the Bank is usually more ready to reduce Bank Rate than when sterling is at a discount. But exceptions to this again have been not infrequent.

3. When gold is leaving England in large quantities, the Bank of England will usually raise its rate substantially to check foreign borrowing in the British market and to turn the tide of gold back to London. Reductions in the Bank of England rate since 1920, however, have been in the face of an abnormally large outward flow of gold.

4. Bank Rate has usually tended to advance in periods of expansion and speculation, and has usually declined in periods of depression and slow business. It usually rises to a very high point in the crisis which intervenes between the period of prosperity and the period of depression.

5. The central principle, however, guiding the Bank of England in fixing its re-

Discount Rates

Bank Rate vs. Market Rate

	FRANCE		ENGLAND		GERMANY	
	Bank	Market	Bank	Market	Bank	Market
1887	3.00	2.53	3.36	2.58	3.40	2.30
1889	3.16	2.60	3.56	3.25	3.68	2.63
1891	3.00	2.63	3.40	1.50	3.80	3.02
1893	2.50	2.25	3.05	1.67	4.08	3.17
1895	2.10	1.63	2.00	.81	3.15	2.01
1897	2.00	1.96	2.78	1.78	3.82	3.09
1899	3.06	2.96	3.75	3.29	4.98	4.45
1900	3.23	3.17	3.96	3.70	5.33	4.41
1901	3.00	2.48	3.72	3.20	4.10	3.06
1902	3.00	2.43	3.33	2.99	3.32	2.19
1903	3.00	2.78	3.75	3.40	3.84	3.00
1904	3.00	2.19	3.30	2.70	4.22	3.13

A number of principles have been involved in the determination of the rediscount policy of the Bank of England:

1. A high reserve ratio has usually been

discount rate is clearly that, whatever else Bank Rate might do, it must not go below the market rate.¹ To this principle, barring short intervals of a few days, there seems to have been no exception even during the wholly extraordinary disturbances of the war and the post-war period. It is the essential principle of rediscount banking, and it is the one sure principle which can prevent a Reserve Bank from demoralizing, instead of steadyng, the money markets in the long run.

The basic idea involved in this policy of keeping above the market is that reserve bank money is for exceptional and unusual use—that it is not the province of a reserve bank to supply a substantial part of the ordinary funds employed in the market in ordinary times.

¹ There are, of course, many differences between the Bank of England and the Federal Reserve Banks, but none of them seems relevant to the basic principle of keeping the rediscount rate above the market. The point is made, for example, that the Bank of England has private customers and a private rate, as well as its official discount rate, whereas the Federal Reserve Bank rediscount rate must be uniform to all member banks. The relevance of this point is not clear in any case.

It is the public policy of the Bank of England that is being discussed. When the Bank of England is acting as a private bank, it may follow private bank practices—though it should, and does, limit these private activities to a point which does not conflict with its public policy.

There is a parallel to these private activities of the Bank of England in the open market activities of the Federal Reserve Banks. Here the Federal Reserve Bank has no "official rate," but may act like any other bank, meeting market conditions.



Assistant Secretary of the Treasury McKenzie Moss in control of the following Branches of the Department—Prohibition Unit, Customs, Coast Guard and Supervisory Architect's Office

Harris & Ewing

It is the function of a reserve bank to hold the reserves of the country in central reservoirs, so that they may be available for emergencies. It is the function of a reserve bank to increase the supply of money in the country to meet seasonal variations in the demand for hand to hand cash. A reserve bank should, at all times, be prepared to supply, "at a price," additional funds for short term operations. In crises, a reserve bank must, of course, lend liberally to permit the member banks to keep a crisis from degenerating into a panic. But it is no part of the function of a reserve bank to supply money for the financing of a boom. In order that it may meet emergencies adequately, it should remain in ordinary times a great, but largely unused reservoir of lending power, limiting even its open market operations to a modest figure which would provide it with sufficient earnings to meet a strictly necessary overhead.

"Borrowing from the Market"

THE Bank of England has not at all times felt that it was performing its full duty to the market in steadyng the money situation when it merely refrained from increasing the volume of money market funds. There have been times when, despite a high bank rate, open market rates in London went very low, and unsound speculative movements, based on excessively cheap money, began to show themselves. In such a situation, the Bank of England has deliberately moved to absorb the excess of money market funds. Instead of lending to the market, it has actually borrowed from the market. (This maneuver is especially "orthodox" when gold is being drained away from London to foreign countries.) When the Bank of England borrows from the market, it immediately cuts under the basic reserves of the other banks and forces them to raise their rates in order to protect their reserves. If one London bank should borrow from another London bank, this would mean merely a transfer of reserves from one institution to another, but when the Bank of England borrows, it receives payment in the form of a check drawn on itself by a London bank or one of its commercial depositors. The Bank of England, receiving this check, debits a deposit balance, with the result that the total volumes of deposits of the Bank of England is reduced. As deposits with the Bank of England constitute the primary reserve of the other British banks, it follows that the volume of reserve money is reduced and market rates of interest go higher. It is by this process that the Bank of England can "make Bank Rate effective," even at a time when few bills are presented to it for discount.

A parallel procedure on the part of our own Federal Reserve Banks would be for them to sell in the open market some of the bills which they have purchased in the open market, or some of their United States bonds, or municipal warrants, or Treasury Certificates, reducing their open market purchases.

The application of the principle of keeping above the market requires a pre-

cise definition of "the market" for the United States. Obviously, we cannot directly apply London practice to American conditions without making modifications. Among published rates in the United States are quotations on "commercial paper," i.e., four to six months one-name promissory notes, sold by well-known houses through note brokers, rates on acceptances, call loan rates, and time loans on stock market collateral. We know, moreover, that there is a great diversity in different localities in the rates charged by banks to their customers.

The market rate in London has a very definite meaning. It is the rate at which prime acceptances or bills of exchange, accepted by banks or acceptance houses (and occasionally by prime mercantile houses), will be bought in the open market. It is a highly competitive, published rate.

The original theory of the Federal Reserve Banks was that they should chiefly rediscount acceptances, and the effort has been made by the Federal Reserve authorities to develop an open bill market in the United States in the hope that a large volume of bills could be created which could be used for rediscount purposes. At present, however, acceptances constitute only about 2 per cent. of our total bank loans and discounts and a very small part indeed of the bills rediscounted with the Federal Reserve Banks. Obviously, the published

rate on acceptances in the United States is not to be taken as the basic market quotation.

Nor can the published rates on "commercial paper," so-called, be taken. Single name commercial paper, sold through note brokers, is rarely more than 3 per cent. of our total loans and discounts. Moreover, the published quotations are chiefly for four to six months paper, not eligible for rediscount with the Federal Reserve Banks until it approaches nearer to maturity.

In the United States, the "market" is best represented by *rates on customers' loans made under lines of credit by banks of the great cities to those of their customers who have borrowing accounts with several banks in several cities.* (2) Line of credit loans made to customers constitute the great bulk of bank loans in the United States. Many of these are made at widely varying rates, but the large block of loans, made by city banks to customers who deal with several banks in several cities (which includes practically all the important businesses of the country), are made at rates which tend to be pretty uniform

(2) Acknowledgment is made to Mr. M. Hadwen Howell, Assistant Vice-President of the Chase National Bank, for valuable advice in this connection.

(Continued on page 107)



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Causes of Discontent and Unrest

[By A. B. FARQUHAR

One of the Fundamental Causes is that People Do Not Have the Right Relations to their Jobs. Present Tendency is to Look Upon Work as a Curse Instead of a Blessing. Life Does Not Consist of Always Running to a Fire. Pride in a Day's Work

THE question has often been asked, is the world happier today in the possession of the innumerable appliances and conveniences which normally should add to human happiness and contentment, or is it not? If not, what is the matter. I do not know that I am competent to answer the question, but there are at least some factors that appear to me to add to discontent and unrest, and I shall try to enumerate a few of them.

A number of years ago President Roosevelt read a book written by Charles Wagner, entitled "The Simple Life," and having been highly delighted with it, recommended it as a book that should be read by everyone. Pastor Wagner was careful to say that in advocating simplicity of living he did not mean to infer that it involved having few possessions, or that the wealthy were by the extent of their riches unable to live simply. The gist of his argument was that the simple life really means simplicity of thought and of conduct. I wish I could quote extensively from this book, which of its message were needed in President Roosevelt's time, is even more needed to-day. For the author saw what is even more apparent to-day, that material possessions instead of adding to contentment and happiness were in many cases doing the reverse. "When one passes in review," says Wagner, "the individual causes that disturb and complicate our social life, by whatever names they are designated, and their list would be long, they all lead back to one general cause, which is this: the confusion of the secondary with the essential. Material comfort, education, liberty, the whole of civilization—these things constitute the frame of the picture; but the frame no more makes the picture than the frock, the monk or the uniform, the soldier. Here the picture is man, and man with his most intimate possessions—namely, his conscience, his character and his will. And while we have been elaborating and garnishing the frame, we have forgotten, neglected, disfigured the picture."

Now it is true that aged people run the danger of looking back upon the days of their youth through rose-tinted spectacles, and I do not wish to fall into the error of unduly emphasizing the felicities of the old days in contrast with the new, but it may be worth while to call attention to some of the things that added to our content and happiness when I was young and which would do the same to-day if we are of a mind to cultivate them.

I realize that we cannot expect the world to stand still, or that the extremely simple, even crude, manner of living of our fore-

fathers, made necessary by the conditions under which they lived, their lack of the conveniences that the years have brought us, was a condition to which we should desire to return. No—few of us would wish to give up what we have gained. Nor is it necessary. We have merely to learn how to use the new tools so that they will yield the greatest satisfaction.

FOR years it has been the fashion to look with regret upon the undeveloped water power of the country as great streams of energy running to waste. Scientists are constantly pointing out the potential possibilities of our rivers, lakes and streams.

All that is a visible and tangible waste but does it constitute as great a waste as that which flows from the unrest and discontent of the average worker? There must be a tremendous national loss because so many men and women fail to find the joy of achievement in work.

In the accompanying article A. B. Farquhar of York, Pa., writes of the causes of discontent and unrest. His opinion is of great value because he is a man who has achieved many successes as well as wealth by the simple qualities of hard work, simple living and fair dealing. Moreover he is an exemplification of his contention that hard work is not killing where one finds pleasure in the work, because he is now in his 85th year, possessed of a strong alert mind and looks out upon the world with undimmed interests and with great human sympathy.

People Have Forgotten

THAT people on the whole are not happy today, in spite of the multiplicity of material things which should add to their comfort and pleasure, is too evident to be gainsaid. There is a spirit of unrest, discontent and distraction that is so marked as to cause concern to the thoughtful. People seem to have forgotten that life does not consist in always running to a fire. We are like the child who, overcome by the variety and extent of the toys that Santa Claus brings at Christmas, often turns away in discontent and discovers that some simple game or toy of his own invention yields more of pleasure and interest than the most costly present he has received. Many of us have not yet discovered how true this is, and are still experimenting with the new toys and finding that they fail to satisfy. We are confusing the secondary with the essential—and the essential is ourselves, our inner resources and the personal relations that we maintain with our fellows.

Notwithstanding the marvelous increase in the means of transportation and communication, I see a marked decline in the social life. I have known a dozen or more people to come to our house in Maryland in their sleighs during the winter, or in buggies when the road was open, without any advance notice at all. Sometimes cook might be away and sometimes we had none—but they would come expecting to take supper. Half a dozen of the girls would go out in the kitchen and all in the greatest good humor cook the supper. It was not long before the meal was ready, and after it they all pitched in again and cleared away the dishes, and they enjoyed lending a hand. Hospitality to-day has declined, and we often feel that it is an imposition to visit friend even for a day—and perhaps our friend in turn feels the same way. I realize that conditions have changed, that in view of these changes we cannot expect to live as we did fifty years ago, but at the same time to have lost the spirit of hospitality is to have given up something for which it would be hard to find a substitute,—kindly human association in that center of our best life, the home.

Met on a [Common Level

THEN, too, in the simple and merry gatherings of the old days all met upon a common level of kindly interest and affection. We had little thought for what our neighbors might possess in the way

of worldly goods, paying respect rather to the mind than to the pocketbook. Life in those days, looking back, seems to have been entirely free from friction or anything that would make one unhappy. We lived so simply. There were no moving pictures, no shows, and no amusements as we know them to-day, and we were obliged to fall back upon inner resources. We took great delight in simple games, we had simple clothes. A box of candy was considered a magnificent thing. The evenings were often spent in reading aloud by one of the family. "David Copperfield" was read as it was published and the numbers reached us, and "Jane Eyre" similarly. And we had Washington Irving besides. Not having the distractions of to-day, we enjoyed the things of the mind to a greater extent, and, after all, one comes eventually to realize that true enjoyment is largely a matter of the exercise of the intellectual faculties.

The joys we got from living in those old days were in the main provided by ourselves. Conversation was not so much devoted to the vehicles in which we traveled from a place where we were discontented to another where we were more so. I do not decry the advantages of travel and sightseeing which the marvelous inventions of to-day have made possible, but the great majority of travelers seem to be like those who go to Europe and when they return are only able to tell you the names of the hotels at which they stopped. It reminds me of the story of the girl, who, after returning from Europe was unable to remember that she had been in Florence. After thinking a little she said, "Os, yes, that's the place I got those yellow silk stockings." This hectic movement here, there and everywhere is destroying home life and feeding the discontent which it aims to satisfy.

Wealth of Rich Is Negligible

I OFTEN hear today of radical and other speakers, who, expounding the Marx doctrines that in the present organization of society the condition of the worker will constantly become lower and the condition of the employer constantly higher, speak of those older days as though they contained more than does to-day for the worker. That is entirely untrue. The growth of capital, the growth of labor-saving machinery, and the numerous aids to the power of a man's hand have, it is true, caused fortunes to be accumulated. Many rich men have been created, but all the wealth of the rich people is a negligible sum as compared with what these instruments of capital have done for the wealth of the worker *en masse*.

If the workman of to-day does not save it is his own fault. The expert machinist as he survives to-day frequently has a good house and he would scorn to live in the houses of the highest paid of the old machinists. He has conveniences which he

regards as necessities that the older man never even thought of, much less acquired. He has books if he wants them, he has access to any amount of free education. His children have the advantages of free schools. Horace Mann and Thaddeus Stevens had not yet introduced the free-school system in the early days to which I have been referring.

Satisfying Complex Tastes

TODAY as between the larger employer and the worker there is more distinction of wealth than there was in the earlier period. There is less shared interest in work. The employer is not nearly as close to his men and probably neither the employer nor the employee is as happy as he used to be. But that is because we all have more—not less; it is more difficult to satisfy the complex tastes of to-day than it was to satisfy the simple ones of half a century or more ago. Thus it is that we see so many people trying to get rich quick through speculation or dishonesty. Happiness is said to be a freedom from want. We have all been educated to want more. Both the worker and the employer of to-day know of more things that they would like to have than did their elder brothers. As things go in this world, although we prefer to think of contentment as a virtue, the only people who approach contentment are the ne'er-do-wells, those entirely lacking ambition, but that is far different from the restless discontent of which I am speaking. The worker of today, however grievous he may think his wrongs, is far less of a slave to his job and to his employer than was the older workman.

Pride in a Day's Work

THE present tendency is to look upon work as a curse rather than a blessing. I think I am right in believing that few of our fathers and mothers spent much time lamenting the fact that life for them was laborious. Every day had its full measure of duties and tasks that had to be done much more laboriously than the same tasks are performed to-day. They accepted their work cheerfully and took pleasure in work well done. It is disturbing to one who has worked hard and conscientiously all his life to see the general disposition to slight a task, and one of the fundamental reasons for the prevalent discontent I am convinced lies in the fact that people do not have the right relation to their jobs. Can a brick-layer, for instance, who knows in his heart that he can lay 1200 bricks a day, and believes he can do it better than any other man, go to rest at night in deep content and pride in a day's work well done, when he has dawdled over the laying of three hundred? Can a plasterer who has received more in wages in one day than his predecessor received in a week, and has accomplished less than half as much, feel any manly self-satisfaction when he goes home at night? Can anyone in whatever

position, high or low, reap happiness in doing less than his best? I do not believe in work for work's sake, though even that is better than idleness; but for the accomplishment of some definite objective contains more of satisfaction to the normal human being than any other one thing.

It is essential that we should return to a wholesome respect for work, that we should do our tasks with whole-hearted devotion and do them to the best of our ability, for I can see nothing that can take the place of work to gain success or to gain happiness or to gain both.

"Work," as Dr. Osler once said, "is the Master Word." It has been practiced by every man who has honestly succeeded. Work is the panacea, and the worker is the foundation of society. The drone, organized or unorganized, is a worm that eats into the foundation, complaining bitterly as it does so. As Carlyle remarked, "There are but two ways of getting a living, a man must either work or steal." I have no belief in the possibility of over-work. People break down not from work but from a lack of ordinary care of the person, or from over-eating, or under-sleeping, or from a want of interest in their work. The last mentioned cause is the most important. Breakdowns in my experience arise not from the useful work that one does but from foolish pursuit of what we term pleasure. I do not think it is possible for anyone to have his health impaired by any amount of work so long as that work holds interest and he makes a play of it. I am inclined to believe that a very considerable amount of what we to-day call "the high cost of doing business" is due to the high cost of trying to escape useful work.

Do Your Best

MY DAILY routine was from seven in the morning until six in the evening, or later if any emergency required it. I was always on hand when the whistle blew, and began the day with a walk through the factory and a chat with the foremen and the men also. I have found that while working hard I also could get some pleasures outside in addition to the satisfaction that came to me from the consciousness that I had put my whole self into my work. It is a curious fact that what we seek hardest for often eludes our grasp, and that when we are intent upon our work, doing each day the duties that each day brings, we nearly always find that as by-products a due measure of content and happiness is ours.

Franklin K. Lane, in that beautiful letter to his daughter, said, "Happiness is the thing we all desire, and it is to be had easily through a most simple philosophy; do your best and then have faith that things will come right. One must see how very little some things are and how very big other things are"—and experience proves that the big things are the simple, fundamental things—the things that can be cultivated by everyone, rich or poor, and they are the things that will bring the happiness that we seek.

Looking Ahead for the South

By J. A. ORMOND

Cashier, Citizens State Bank, Marianna, Florida

The Future Shows Bright Picture of Great Industrial Section Built. Old Time Leadership to Be Restored by Influx of New Capital Brought by Men with Vision. Rapid Developments of Great Natural Resources. Burdens Which the Planter Has Had to Carry

A fair knowledge of political history is necessary to a proper understanding of current political events, and a study of the industrial and economic history of a section is equally essential to a full appreciation of the present situation. When the past is known and the present is understood, the future can with some degree of certainty be forecasted. Your sympathetic interest is invited to a study of the South that was and a view of the South that is to the end that a vision may be had of the South that is to be.

For convenience let us consider the industrial history of the South under three divisions the first of which embraces the three hundred years from the first early settlements to the Civil War.

The colonial south was a country in which industry and agriculture went hand in hand, the preference being given to the former.

James M. Swank in his book "The History of Iron in all Ages" gives great credit to the Southern Colonies for the attention given to iron making. Aside from the necessity under which each settler lived of being his own blacksmith it appears that, according to this book, the early citizens of Virginia, the Carolinas, Tennessee, Georgia and Alabama were partial to their forges and foundries, even though their markets beyond home consumption were reached only with difficulty. Richmond, Fredericksburg, Staunton, Kings Mountain, Blacksburg and other Southern towns of that day were noted for the diversity quantity and quality of their iron products. Many of the colonial leaders, including Washington, were interested in the mining and manufacture of iron.

After the successful outcome of the war of the American Revolution, Virginia gave renewed attention to the iron industry and

to many other manufactures. We know that Thomas Jefferson owned and operated with slave labor a nail factory at his home at Monticello, and we are assured that throughout the South men of his type gave especial attention to the manufacture of articles essential to the use of the household and the farm as well as the building trades.

South Led New England

Up to the end of the first decade of the nineteenth century the Southern States surpassed New England in industrial pursuits.

tical and economic undoing.

To a Southerner it may be forgiven to make use of this opportunity to mention a few of the things in which the South led in discovery, invention and manufacture in the period now under consideration:

- The first Trans-Atlantic steamship.
- The first American built locomotive.
- The first to mine iron ore.
- The first self-binding reaper.
- The first threshing machine.
- The first charting of the ocean currents.
- The first weather bureau.
- The invention, by a Florida man, of artificial ice.

The invention of the Gatling gun.

The making of glass, of cotton-seed oil and of illuminating gas.

The first to legislate against slave holding.

The first to establish a women's college, an industrial school for girls and an orphanage in America.

In 1860 the South produced more than half of the corn crop of the country. The value of its live stock was more than 40 per cent. while that of its farms was more than one-third that of the entire country. In the decade between 1850 and 1860 the South built double the rail-

way mileage of New England and the Middle States combined. A decline in the price of cotton in the early 40's discouraged the production of that staple and turned attention in the South as in the old days to industrial pursuits, resulting in a wonderful growth in the number of small manufacturing plants and the development of the great natural resources of the section.

Picking Cotton



The invention of the cotton gin near the end of the eighteenth century, while a benefaction to humanity, was a fatal blow to the industrial life of the South. With the enormous impetus given to the cotton industry by this invention and the development of the power loom as an outgrowth of the discovery of steam, the expansion of the slave trade, the opening up of new lands, and the increased planting of the staple in the South were natural consequences.

And thus the South lost its industrial soul and gained a world monopoly in cotton production, to its own consequent politi-

The Aftermath of War

THE second period of our division of Southern economic history begins with the Civil War in 1861 and ends with the



Opening of new headquarters of the New York Cotton Exchange on the nineteenth floor at Beaver and Williams Streets

withdrawal of Federal troops from the South in 1876.

When the war ended in 1865 the condition of the South was far worse than that of any country of Europe at the time of the Armistice. The drain upon its farms for live stock with which to maintain its armies was such that only after more than forty years was the number of head of stock on Southern farms as great as at the beginning of the war.

It is beyond the power of the imagination to conceive the depths of poverty that faced the men of the South who escaped death and returned to the pursuits of peace after the horrors of war. Its currency was, of course, worthless. Credit was gone. The rebuilding of their homes and the restocking of their farms were tasks that required years and faith to perform.

Five million Southern born whites left the section during the twenty-five years following the Civil War. This hegira was aided and abetted by the railroads of the South and the transcontinental lines, all of which ran special excursions at greatly reduced fares to the newly opened West, maintaining for years a campaign of advertising by placard and press throughout the unfortunate section, showing the exaggerated glories and wondrous advantages offered to settlers in the great trans-Mississippi region. Steamship lines scattered throughout every hamlet of Europe maps and circulars glorifying the West and denouncing the south as a land of negroes, alligators, swamps, mosquitoes and yellow fever.

The third division of the economic history of the South begins with the recognition of the inherent political rights of the section and the almost simultaneous recognition of its equally inherent industrial and agricultural possibilities awaiting only the capital necessary to their development.

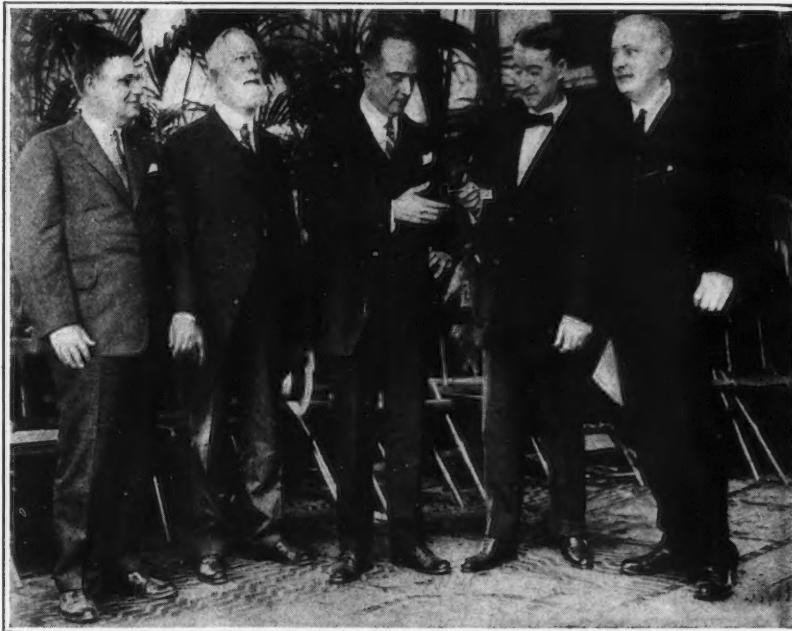
Former masters and slaves in the great equality that universal ruin and poverty brings worked with each other in the natural loyalty that almost universally obtained, inspired by the dictates of stern necessity on the one hand and by the lure of the newly granted freedom and opportunity on the other, to produce the utmost ounce of the precious snowy fleece that the word demanded to cover its accumulated nakedness of the quadrennium of Federal blockade.

Within fifty miles of St. Augustine an ex-slave in the first year or two following the war erected a magnificent three story home on a little sand hill farm out of his earnings from long staple Sea Island cotton sold at a \$1.50 per pound. He was the exaggerated type of many another of both races, who followed the will-o'-the-wisp of wealth in cotton production. He lost his home before its completion and occupancy, and the South lost its hope of quick recovery from its destitution by the deflation in price that came, as always, just when the farmer had invested all his first profits in a final supreme effort to reach the goal of independence.

The presence of the negro in freedom, minus the "forty acres and a mule" promised by his liberators, added to the burden of the Southern planter, who was as responsible as ever for the maintenance of his former chattels without the power to command their services. Thus, the share crop system sprang up, whereby the great plantations were divided into small patches by the simple device of the "turnin' row." The negro occupied his slave time cabin and with his wife and children tended a crop for "a third and fourth," meaning one-third of the cotton and one-fourth of the corn produced and harvested. The

Cotton a Hard Taskmaster

COTTON as king of the agricultural products of the South was always a hard and treacherous monarch. No greater evidence of this is needed than the situation that obtained immediately following the Civil War, when the world demand for the staple caused the price to soar to fabulous heights, giving bright promise of the early enrichment of the devastated territory.



Opening the New York Cotton Exchange new headquarters. J. Temple Gwathmey, former president of the exchange and chairman of the building committee presented the key of the building to Edward E. Bartlett, Jr., president of the Exchange

landlord furnished land, live stock, fertilizer and supplies and managed his independent labor as best he might in the hope of breaking even or a little better on the venture.

Grubstaking the Farmer

THE landlord, in turn, must make his financial arrangements outside of his own resources, which were nil. Thus, the supply merchant became a factor in the economic affairs of the agricultural South. This merchant, having formed a connection with wholesalers in the port cities and river towns, who were capitalized in the North, obtained homespun, calico, rawhide shoes, Western bacon, snuff and tobacco on such terms as enabled him to sell to the white landlord for the use of his own family and for his negro tenants to be repaid in the fall. Besides the landlord, who thus farmed his pre-war plantation, was the negro who owned his own stock and worked his own place or rented land at so much per acre, "standin' rent," and last of all the "po' white trash," who had never owned slaves and a plantation and who operated like the independent negro, than whom, in the estimation of the negro, he was a little lower in the social and economic scale.

Thus the farmers, large and small, were "grubstaked," or "run" by the supply merchant, who took 50 per cent. for his profit, 50 per cent. for his interest, and another 50 per cent. for his risk, to be added to the outrageous price charged him by the wholesaler for the goods thus placed on such long terms and at such great hazard of fire and flood and future markets and failure from incapacity or intention. The full iniquity of this system of financing agriculture can scarcely be conceived, but its wicked tendency can be understood

when it is shown that the merchant insists upon his customer planting a "money crop," which has heretofore meant cotton, to the curtailment or exclusion of food crops for the double purpose of making more probable the collection of his present account and rendering certain the necessity of the farmer to secure credit another year to purchase the meat, hay and grain that he could have readily produced on his own farm.

The system, greatly enlarged and complicated, is in operation throughout the agricultural South today. Encouraged by the rapid accumulation of wealth by a relatively few supply merchants in the early years of the system, when competition was scarce

and profits high there has been a great industry built up upon the need of the farmer for financing.

Inventing Necessities

BEGINNING with the actual and bare necessities of the customer who could make no better arrangement the plan was recognized as a makeshift, which should continue only until the farmer could become sufficiently resourceful to finance himself. But instead of developing the resourcefulness of the farmer to the end that he might become a more satisfactory and more satisfied customer, the entire study of a generation of manufacturers and wholesalers and jobbers and merchants and traveling salesmen and agents and other middle men in an ever increasing number seems to have been to discover new needs for the farmer where no need existed before, and to invent fictitious needs when real needs became scarce. Finally, when all needs, both actual and artificial, were fully supplied, it became necessary to convince the ever credulous farmer that wants and needs were equally necessary to be

for a time was almost larger than all others.

Each, being obliged to maintain itself and to justify its own existence, expended fortunes in the development of their several lines, multiplying inventions and discoveries for the improvement of the farms. They employed an army of salesmen to induce the farmers to improve their farms by discarding the old and purchasing the new, always, of course, upon the most liberal terms of credit. The price, of course, included the profit, that was as liberal as were the terms of credit, plus the cost of advertising and high pressure selling methods and including the salaries and commissions of the army of dealers and agents.

Farming Made Easy

THUS every farm was equipped with modern, labor saving machinery, rendering productive with the best preparations of fertilizer, chemically adapted to the particular soil, and stocked with the choicest breeds of live stock that highly questionable selling methods could place thereon. Thus, the farmer was, by the aid of his astonishing credit, provided with

every possible device for farming pleasantly and profitably. Then came the automobile, at first a luxury enjoyed only by the rich of the cities but finally finding its way to the farms through the easy payment plans so generously provided by the dealers with the aid of the local banks, which shared in the profits and assumed all the risk. The farmer, having been induced to buy himself rich, was readily persuaded to buy the means with which to enjoy his purchased wealth.

Then, when everybody, including the

farmers were living in a fool's paradise of inflation and feverish buying of everything that was for sale at any price asked; with credit pyramided to the peak and with the government issuing new currency worth forty cents on the dollar against notes given for the purchase of automobiles and other non-essentials and subsequently worth nothing at all; with all business of every kind engaged in a wild orgy and everybody shouting: "On with the dance, let joy be unconfined," somebody stepped on a loose board and the whole tottering structure of our financial fabric came crashing down, killing many, crippling all, with the farmers being, as usual, at the bottom and receiving the worst injuries.

(Continued on Page 106)



Cotton Wharf, New Orleans

supplied, and of late years he has been assiduously cultivated to teach him wants that he never would have discovered for himself.

To the short catalogue of supplies sold by the supply merchant in the old days was in rapid succession added the improved farm tools and implements replacing those that had theretofore been manufactured by hand on the farm or in the neighborhood blacksmith shop, the Missouri mule to replace the home bred animal, the Jersey cow to banish the long horned ranger and finally the pure bred swine to drive out the famous "razorback." Each of these lines quickly became a separate industry that lived and thrived upon the purchases of the farmers, not to mention the fertilizer business that

Federal Plan of Credit Control

BY H. E. SARGENT

Uniform Open Market Policy of the Federal Reserve System Designed to Test Credit Needs of the Country as a Whole. Gold Imports Make Former Methods of Gauging Demand Unreliable. System Found Itself Out of Touch with Certain Developments

SMOTHERED under the masses of gold which have poured into the country since the war, the Federal Reserve System has evolved a new factor of credit control to loosen the precious shackles which have held helpless for the past year the rediscount rates.

This credit regulator, for want of a better name, is the uniform open market policy of the System, under which the twelve Federal Reserve Banks buy or sell securities with definite regard to the financial situation in the nation as a whole.

The uniform open market policy of the System has yet to be put to the final test, but results obtained during the process of its evolution from the concerted action of a few reserve banks to virtual unity by the entire twelve have convinced the Federal Reserve Board of the power of its new tool.

In a word, the uniform open market policy is designed to test the actual need of credit throughout the country by the sale of reserve bank investments, which theoretically lessens the supply of money in the market and forces the banks to regain these funds through rediscounting. By the proportions of the bank's calls upon the Federal Reserve institutions for funds to fill the gaps left by the purchasing operation, the credit demand of the country can be gauged.

As this credit demand develops undue strength, or evidences tendencies toward speculation, the rediscount rate can be increased to the point where it can be used to check the beginnings of what might later prove to be an unrestrained tide of borrowing.

Can Increase Money Supply

ON the other side of the picture, by its uniform purchases of securities the System can increase the supply of money in the open markets and lessen to a very considerable extent an undesirable tightness. Or, as the absorption of the System's purchase money shows a need for funds, it can lower its rediscount rate and make more readily available the resources of the Federal Reserve Banks.

Adoption of the practice of uniformity in open market transactions was forced upon the Federal Reserve System, both by the necessity for a reliable barometer to report the actual credit conditions throughout the country and through the need of a reinforcement to the rediscount rate as a factor of credit control.

Unlike any previous condition in the financial history of the country, the enormous imports of gold which have steadily swollen the reserves of the nation's banks the past year have demonstrated the absolute unreliability of the gold methods for gauging the trend of financial transactions. Mounting demands for credit to supply the fuel for the awakening engines of industrial and commercial activity were met handily by the commercial credit resources of the country without more than nominal recourse to the central bank of the Federal Reserve System.

Prospects of undue expansion and memories of speculation in the very recent past forced upon the Federal Reserve System the realization that since its twelve reserve banks were not participating in the credit operations of the new business movement, it was, in a sense, wholly out of touch with day-by-day and week-by-week developments in the financial field. Furthermore, experience had all too clearly demonstrated that when the hope of enormous profits urges borrowers to over-commit themselves, the price to be paid for money as represented in an increasing rediscount rate is no deterrent to the incautious.

Uniformity Important

FORMERLY the individual Federal Reserve banks had been conducting their open market operations to fit the needs of the respective institutions or the various individual Federal Reserve districts. However, while money might be tight in one district, it might be easy in another; and accommodations costly in one district might be cheap in the next. Uniformity, the Federal Reserve Board found, must be practiced by the reserve banks if they were to regain their vantage point as the keystone of the nation's financial system.

As the system is now attuned to existing credit conditions, a uniform rediscount rate of 4½ per cent. is in effect. The governors of the respective reserve banks have assured the Federal Reserve Board that the time, manner, character and volume of open market investments purchased by Federal Reserve Banks shall be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.

In effect, the Federal Reserve System may withdraw money from the market, if it feels that there is an over-supply, or it may furnish funds, if it decides that a

stringency is developing. Behind the open market policy stands the rediscount rate, which may be raised before any considerable selling movement is inaugurated, so that its full effectiveness in checking credit demands can be utilized when the call is made upon the Federal Reserve banks to replace money taken from the market. Again, a lowered rate may be induced by the absorption of the funds released through the System's purchases.

Reduction in Rate

AS conditions throughout the country shape up at present, the indications are that a reduction in the Federal Reserve rediscount rate is at least possible. This is not because a demand for Federal Reserve credit has developed, which the Federal Reserve Board deems it proper to meet, but because the uncertainties of the future may give the uniform open market policy, from the angle of sales, its true test and a reduction in the rate would make a later increase felt with greater force.

Despite the reassurances that the unpleasant lessons of the past have been learned thoroughly by the business community, there are many close parallels with conditions existing in 1920, with the striking exception of the greater freedom from reserve control given the individual banks by the vast accumulations of gold. It is under these parallel conditions that the preliminary tests of open market operations have been made and their availability as a working policy of the Federal Reserve System judged.

As compared with 1920, there is little reduction in the proportionate volume of business and in bank credit. In fact, there is a close correspondence in the changes since 1920 in credit and in business volume, when considered by reserve districts. In general, business activity on the Pacific Coast and in the East has been exceeding or approximating that of 1920, with the accompaniment of corresponding increases in credit. In sharp contrast, however, both the business volume and bank credit in the south and middle west have been well below the 1920 level.

This comparison reveals the important differences between the situation in 1920 and at the present, despite the near approximation of the total volume of business and bank credit. Credit expansion three years ago was less pronounced in

(Continued on page 109)

Warren G. Harding

THE loss which the country has sustained in the death of President Warren G. Harding is felt in all its severity by the bankers of the United States, for they appreciated as keenly as any other class the fine qualities, the sound judgment and the great sagacity of this man who stepped out of the ranks of the common people to the Presidency, and he likewise possessed full appreciation and sympathetic understanding of the peculiar position which the banker occupies in his own community and which the bankers as a class occupy in the nation.

It may be recalled that on the occasion of the last Convention of the American Bankers Association President Harding sent a long telegram, asking for the help of the bankers of America to extend their influence and their service for the betterment of the nation, in which he said:

"I have often thought of the bank as first among modern institutions of social unification. On the basis of a complete confidence in its integrity and aims, it aggregates together in vast, available masses, the scattered bits of credit and resources which otherwise would be unavailable for great undertakings, and makes possible the huge producing organizations which characterize the modern industrial community. We have come to times which require a like aggregation of the social sense, the ethical ideals, the moral inspirations and the best intelligence, in order to promote the true welfare of men individually and in communities. This I have come to regard as the most pressing requirement of our day; and to its accomplishment I invite the assistance of you men who have been foremost among social cooperators."

There was perhaps a suggestion of his own physical fatigue in the fol-

lowing sentences of the telegram in which he said:

"The world is not given to rewarding those who serve it, with opportunities for ease and pleasure. Instead, on those who have been tested and found useful it is wont to place yet greater burdens. To full share in these obligations I am now urgently inviting you. By experience, knowledge and aims, you bankers are peculiarly equipped to render largest service in this wider sphere. It has long been my observation that the leadership of the banking forces in the local community is ever effective and devoted to community welfare; and the same helpful relationship must be maintained throughout the nation, and in the nation's outside relations. Therefore in recommitting our people to sane expenditures, to ways of economy and thrift, to the consideration of municipal and national problems in that conscience which builds the temple of confidence, the banking forces must lead, and we must have the widest commitment to the prudence, the deliberate understanding and the preference for useful service, which make for the security of our people as a whole."

The outstanding feature of Mr. Harding's life is perhaps in strange contrast to what we see about us from day to day—that real men come up from the soil and that patience, industry, and forbearance will win great success where less noble qualities will fail.

President Harding's sudden death brings home to us also the truth that he who becomes President, possessing a determination to serve, may in the same hour become a public sacrifice whose all of mental and physical energy is to be rapidly consumed for the good of his fellowmen.

The Price of Rubber

By FRED B. PITNEY

History of the Industry Contains a Full Measure of the Dramatic. Many Thousand Workers Depend for Employment on a Supply of Raw Material from Without Our Borders. Efforts to Stabilize Prices Have Produced Some Unexpected Reactions. Congress Appropriated \$500,000 for Investigations.

THE rubber industry is one of the billion dollar industries of America. In 1918 the sales value of its products amounted to \$1,122,135,760.

In 1920 the sales value was again more than a billion dollars at \$1,191,497,861, and it is estimated that this year it will once more cross the billion dollar mark. The first three months of this year showed a business of nearly \$300,000,000. There was some falling off in the second quarter, due to the late spring and the consequent light demand for automobile tires, but it is expected that the last half of the year will restore the balance.

There are more than 500 concerns in this country making rubber goods, with a capitalization of upwards of \$1,000,000,000 and giving work to approximately 200,000 employees. Another \$1,000,000,000 is invested in the production of crude rubber, with 500,000 employees on the plantations, while there is approximately \$250,000,000 invested in rubber manufacturing in foreign countries.

This great industry is the growth of practically twenty years. In 1900 the total rubber supply of the world was 53,890 long tons, all but four tons being wild rubber, gathered in the swamps and jungles of Brazil and tropical Africa. Last year the world's production of crude rubber was 380,000 long tons, of which less than 25,000 tons was wild rubber. Instead of from swamps and jungles, the world's supply of crude rubber now comes from cultivated plantations, embracing 3,745,000 acres.

The price of rubber has seen equally remarkable changes. In 1906 the average price was \$1.43 a pound. In 1910 it went to \$3.12. When this is written it is 25 cents a pound and has been as low as 11½ cents, while the British plantation owners are making desperate efforts to achieve and maintain a price of 35 cents a pound.

In Manufacturing

IN its manufacturing branch the rubber industry is almost wholly an American industry. Seventy-five per cent. of the raw rubber of the world is consumed in this country. Yet, America, on its own territory, produces only a negligible quantity of raw rubber. The industry is wholly dependent on other countries for its raw material, and of the nearly 4,000,000 acres of rubber plantations only 100,000 acres are owned or controlled by Americans.

The rubber plantations of the world are situated in the Federated Malay States, the Straits Settlements, Ceylon, Southern India, Burma, Indo-China and the Dutch East Indies. The distribution is as follows: Malaya, 57½ per cent.; Dutch East Indies, 25%

per cent.; Ceylon, 12½ per cent.; Southern India and Burma, 2 per cent.; all others, 2½ per cent. Plantation ownership is distributed as follows:

London controlled	1,110,000 acres
Dutch, French, Belgian, Swiss	885,000 "
Asiatics	850,000 "
Local companies and resident European proprietors	800,000 "
American	100,000 "
Total	3,745,000 "

These plantations, so situated and controlled, produce 93 per cent. of the world's supply of crude rubber. And it is this situation which overshadows the American rubber industry, and in so doing overshadows, as well, the American automobile industry, the third largest industry of the country, according to the census of Manufactures for 1921, with a production in that year of \$1,666,140,000.

The rubber and automobile industries are so directly dependent on each other that their fates cannot be separated; they rise and fall, wane and grow together. On the one hand, it is rubber, the pneumatic tire, that has made the automobile a success. On the other hand, 80 per cent. of all the crude rubber imported into the country is manufactured into automobile tires and accessories. In 1922 there was used in the manufacture of automobile tires and accessories 531,551,844 pounds of crude rubber. The 1922 production included 40,930,852 tire casings or shoes, 50,849,912 inner tubes and 874,003 solid tires. There were 2,561,000 motor vehicles made in the United States in 1922, while the total automobile registration for the country was 12,239,114.

There is one automobile for every 8.6 persons in the United States. Eighty-four per cent. of the world's automobiles are to be found in this country. The total world's automobile registration in 1922 was 14,507,588, and of these over 12,000,000 were in the United States. These are facts and figures inseparable from the greatness and importance of the American rubber industry. And yet, that industry is wholly dependent on foreign sources for its raw material, and the situation today, according to some of the best informed men in the industry, is that the statistical position forecasts a shortage of rubber with a consequent rise of prices in three years.

Let us see what are the reasons behind this situation. To do that we must first take a glance at the history of rubber.

History of Rubber

THE story of rubber goes back more than 400 years to the second voyage of Columbus to the New World. On that voyage he saw some Indian boys playing a game

with a bouncing ball on the hard sand of the beach. The ball was made of rubber and that was the white man's first knowledge of the substance. Columbus took some samples back to Spain, but for nearly 300 years rubber remained little more than a curiosity.

About 1770 a British maker of mathematical instruments, Nairne, showed in his shop at London some small cubical pieces of a soft, black substance that he recommended for erasing or rubbing out pencil marks. He sold a half inch cube for three shillings and the artists and draftsmen who bought it named it rubber. The French called it caoutchouc, a corruption of caao-chou, or weeping tree, the Indian name for the rubber tree.

Fifty years later Charles Goodyear, a New Haven hardware dealer, while looking for a life preserver, became interested in rubber because of its waterproof qualities. The trouble with it was that its serviceability fluctuated violently with the changes in temperature. People were constantly trying to make waterproof clothing with it, but it hardened with cold and softened under heat. On a cold day a rubber rain coat would turn to a coat of mail. On the other hand, if the wearer chanced to sit down near a stove, he might find on trying to rise that his trousers were cemented to his chair by his rubber coat.

Rubber seemed to be a contrivance invented by the devil to try the patience of investigators. Goodyear sold his hardware store and devoted himself to solving the problem of drying up this sticky, melting, freezing material. Several British investigators were on the same quest, among them Charles Mackintosh, who in 1825 made his first successful rubber coat by putting a thin layer of rubber between two casings of closely woven cloth.

The Accident

IT remained for Goodyear, however, to find the true solution. In 1839, after twenty years of investigation, during which he and his family had lived for most of the time in dire want, often depending on the kindness of pitying neighbors, he by accident dropped some rubber mixed with sulphur and white lead on the kitchen stove. So was discovered the process of vulcanizing, which made rubber a commercial article.

But even then there were no signs of the great proportions the rubber industry was to achieve. For the whole of the last century the wild rubber from the swamps and jungles of Brazil furnished the world's supply of the raw material, with a small quantity added from tropical Africa near the close of the century. In 1825 Brazil's rub-

her exports amounted to only 30 tons. In 1850, eleven years after Goodyear's discovery, they were only 1,467 tons. In 1860 Goodyear died \$191,000 in debt because of his faith in rubber. But by 1879 the American rubber business had reached an annual volume of \$25,000,000.

In the 70's of the last century Henry A. Wickham, a Britisher, had the vision to see the possibilities in rubber. Wickham conceived the idea of supplanting the fast failing coffee industry of the British Far Eastern possessions with the rubber industry. He proposed to the British government that the cultivation of rubber should be substituted for coffee, and although Britain gave him practically no money help, she did give him support in other ways.

Wickham, who had already spent many years in Brazil, returned to that country and made a long and dangerous trip into the Amazon jungles, gathering the seed of the rubber tree, *Hevea brasiliensis*.

Though Brazil had never made any attempt to cultivate rubber and had given no encouragement to those who did propose its cultivation, she did not intend to lose the profit there was in the collection and exportation of rubber. She prohibited the exportation of the seed of the *Hevea* tree and took great precautions to prevent smuggling.

CUT Wickham by a specious explanation to the officials at Para of "exceedingly delicate botanical specimens, specially designed for delivery to Her Majesty's own Royal Gardens at Kew" succeeded in getting his seed out of the country. In June, 1876, he arrived at Liverpool on the return voyage and a special train carried him and his seed to London. A fortnight later 7,000 *Hevea* trees had sprouted at Kew. The seedlings were promptly shipped to Ceylon and the rubber plantations of the East Indies and the Malay Peninsula were born, but there still was needed the incentive to growth. This came with the invention of the automobile and the adaptation to it of the pneumatic tire, first made for the bicycle.

In the first years of the automobile industry wild rubber supplied the demand for tires. But two things soon became evident. The first was the future of the automobile and the second was that the production of wild rubber could not be expanded to meet the rapidly growing demand.

For twenty-five years rubber in the Far East had been no more than a botanical experiment. The quarter of century had been a period of intensive study, to be sure, a time of learning the necessary conditions for growing the rubber tree, but it had been almost impossible to make the planters con-

sider rubber growing seriously. Then came the automobile and the planters seized the opportunity Wickham had placed in their hands. Comparative figures of automobile registration in America and the production of plantation rubber are as follows:

Year	Automobile Registration	Plantation Rubber Production (long tons)
1900	13,824	4
1907	142,061	1,000
1909	311,197	3,600
1915	2,445,664	107,860
1920	9,177,129	304,816
1922	12,239,114	355,000

So the plantation rubber industry was started and grew. We now come to why it has remained a foreign industry, largely under British control, while rubber manufacturing is dominated by America.

Rubber Plants

HERE are more than 500 rubber producing plants and trees that flourish for thirty degrees on either side of the equator, but fifty years of experiment and research



Tapping rubber trees in the East Indies

have narrowed the practical, commercial rubber tree down to the one variety of the *Hevea brasiliensis*, which lives only in a belt ten degrees on either side of the equator. This belt is, therefore, known to rubber men as the Inner Rubber Belt. Moreover, the *hevea* tree requires certain climatic conditions.

It must have an average temperature of between 76 degrees and 81 degrees, not subject to violent fluctuations of heat and cold. It must have an annual rain fall of not less than 85 to 90 inches and this rainfall must be well distributed throughout the year. A climate in which comparatively brief periods of extremely heavy rainfall are succeeded by long dry spells is not suited to the *hevea* tree. It requires an even distribution of moisture.

The necessary conditions for the cultivation of the *hevea* tree are not found in all

parts of the Inner Rubber Belt. The Malay Peninsula, the British and Dutch East Indies, the region of the Amazon and its tributaries and the Belgian Congo are regarded as the best regions for growing the *hevea* tree.

It takes from seven to eight years to make a rubber plantation a paying proposition. It takes, on the average, a year to clear the land for planting. Five years more are required for the trees to reach maturity, ready for tapping. The first year that they are tapped they yield a very small amount of rubber, the second year the yield is better but usually not in paying quantities. From the third year on a rubber plantation with an average of a hundred trees to the acre can count on about 350 pounds of rubber to the acre, and that pays, when the price is right.

But in order to make a rubber plantation pay labor must be cheap. And in order to induce capital to invest for a long pull of seven or eight years without a return there must be a certainty of tenure of holdings, stable governmental conditions and no political meddling.

All of these conditions are found in the British Far Eastern colonies and the Dutch East Indies. They are in the Inner Rubber Belt. They have the necessary climatic conditions, rainfall and temperature. Land concessions and government leases run from forty-five years to seventy-five years. The government is stable and political grafting is conspicuously absent. And above all labor is cheap, from ten cents to twenty-five cents a day.

These are reasons rubber planting is a foreign industry, chiefly controlled by the British. We can add to them that rubber planting already had its start under the British when the great demand for rubber

came with the advent of the automobile. They were ready to expand production. Americans, on the other hand, knew little or nothing about rubber planting. They did know about automobile manufacturing and tire making, and they were so busy making automobiles and tires that they were quite content to take the raw material for the tires from any source and no questions asked, as long as it came in sufficient quantities.

American Controlled

A FEW men, a few companies, could see the advantage of a domestic, or at least, a domestic owned supply of crude rubber. To them is due American control of 100,000 acres of rubber plantations. But for the most part it needed the War to (Continued on page 114)

Refunding the Short Term Debt

BY REUBEN A. LEWIS, JR.

Treasury has borrowed \$7,500,000,000 in two years. Banks subscribed more than double the amount asked for to eighteen offerings. Capital for commercial enterprises made available at same time as debt reduced. Smaller Maturities This Year.

IN A MANNER as unobtrusive as the memorable Liberty Loan drives were spectacular, the Treasury has succeeded within the span of two years in borrowing \$7,500,000,000 from American investors to refund into a succession of manageable maturities its short-dated debt. Although the total operation eclipsed the largest of the dazzling war-time loans in size and each issue was put over without the tremendous stimulus of the call of patriotism, each went "over the top." A final reckoning shows more than \$15,000,000,000 was subscribed through the nation's banks to the eighteen combined offerings that constituted the program.

It is the pride of the Treasury that the refunding was accomplished so quietly that the country hardly knew \$7,500,000,000 in short-dated debt maturing in two years had been retired or re-financed into \$5,500,000,000 spread over a five-year period, while the operation was carried out without disturbance to business.

The outstanding financial problem that confronted the Harding administration was to meet the \$4,000,000,000 in Victory Notes that came due on May 20, 1923. The fact that \$713,000,000 in War Saving securities matured early in that year was a complicating factor, and, of course, the Treasury had to arrange for the issuance of certificates of indebtedness from time to time to meet its current needs. The Treasury's early expectations that there might be enough surplus revenue after the fixed public debt redemptions had been provided for were blasted by the heavy drains that the Navy and Army and the railroads made on the government. So, at the outset of the fiscal year of 1922, Secretary of the Treasury Mellon put behind him the earlier plan and looked the facts in the face. Analyzing the balance sheet, he expressed the hope that "perhaps" the domestic debt might be reduced by \$1,000,000,000 during the next two years and concluded that the remaining \$6,000,000,000 of the short-date debt would have to be refunded.

Distributing Short-Dated Debt

"**I**T WILL THEREFORE be the Treasury's policy to vary its monthly offerings of Treasury certificates of indebtedness from time to time when market conditions are favorable with issues of short-term notes in moderate amounts with maturities of from three to five years, with a view to the gradual distribution of the short-dated debt through successive issues

of notes in convenient maturities extending over the period from 1923 to 1928, when the Third Liberty Loan matures," the Secretary told the financial world. This plan, with just one important exception, was strictly adhered to, although the exchange of new issues for old played a more important part in the re-financing of the Victories than is generally appreciated.

It was recognized at the outset that the greatest problem of the refunding program was the Victory Liberty Loan, which then amounted to \$3,913,000,000. With a maturity too large to pay off or refund at one time, means were adopted to reduce the outstanding amount in advance of maturity. The outstanding notes of the 3½ series of about \$400,000,000 were called for redemption on June 15, 1922, while the 4½ Victories were reduced somewhat through purchases for the sinking fund, and more so by their acceptances in exchange for the new Treasury notes. In June, Secretary Mellon announced that substantially half of the Victories outstanding would be called in on December 15.

What was perhaps the only surprise in the refunding came in the fall when the Treasury issued about \$750,000,000 in 25-30 month bonds offered in four years. This offering in October, doubtless eased the strain on the financial machinery, for there were heavy maturities to meet in December with nearly a billion dollars in the 4½ Victories called at the same time that \$420,000,000 in tax certificates fell due. There were \$625,000,000 in War Savings Certificates due for payment on the first of the new year.

At this stage, the directors of the program decided that it might well be varied by issuing the 4¼ per cent. bonds in between the notes. Secretary Mellon had foreshadowed a long-term operation in the preceding January, when he announced, "The time is coming, perhaps, in the near future, when it will be possible to undertake refunding operations for a longer term

Perhaps, the decision to call in about half of the 4½ Victories for redemption nearly a half-year in advance of their maturity dictated this step. A further objective back of the move was to exchange about \$4,250,000,000 of the long-time bonds for a portion of the first Victories called for retirement.

Exchange an Important Factor

A TRIPLE oversubscription indicated that the securities were attractive to heavy maturities came, hardly more than a normal amount of financing was necessary to meet the obligations. In May, the remainder of the Victory notes were redeemed.

Looking back on the operations, the exchange factor looms up largely. No little part in the success of the program may be attributed to the willingness of the investors to surrender their Victories and accept the Treasury notes in their stead. Six times during the two years exchange opportunities were presented. The magnitude of the response is indicated in the total of \$1,833,155,200.

Reviewing the refunding and summarizing its effect upon the different classes of outstanding indebtedness, here is what happened:

About \$4,070,000,000 of Victory Notes have been retired.

Treasury certificates of indebtedness have been reduced from \$2,820,000,000 to about \$1,030,000,000, all maturing on quarterly tax-payment dates.

War Savings Securities were reduced from \$713,000,000 to about \$90,000,000, while the new Treasury Savings Securities of about \$245,000,000 were issued.

New Treasury Notes of about \$4,100,000,000 were issued. The gross public debt was reduced about \$1,650,000,000.

The following table shows the results of these operations from April 30, 1921 to June 30, 1923:

Date	(In millions of dollars)					
	Total Gross Debt	Victory Notes	Treasury Notes	Treasury Certificates	War Savings Securities	Treasury Savings Securities
April 30, 1921	23,994	4,069	—	2,820	713	—
June 30, 1921	23,976	3,914	311	2,699	694	—
June 30, 1922	22,964	1,991	2,247	1,829	619	60
June 30, 1923	22,350	—	4,104	1,031	91	246

with a view to the distribution of the debt among investors on a more permanent basis," but there was nothing in the prediction as to bonds.

The watchword during the operation was "orderly refunding and gradual liquidation," for the Administration is committed to a policy of cutting down the public debt at

This Year a Breathing Spell

AFTER TWO years of major operations, the refinancing during the present fiscal year should seem more or less like a breathing spell. By virtue of the distribution of the Federal obligations, there will be public debt maturities of only about \$1,390,000,000. This includes approximately \$1,030,000,000 of Treasury certificates of indebtedness, about \$310,000,000 of Treasury notes maturing near the close of the period and about \$50,000,000 of War-Saving certificates of the 1919 series, which come due with the first of 1924. As a hang-over from the redemption of the Victory notes and the War Saving Certificates, there is

still outstanding about \$125,000,000 in these two issues, but these are being presented day to day and are gradually being retired.

The short-term basis of refinancing was adopted by the government because it was the most economical way to borrow in the financial market under the existing conditions. When the program was launched, the Treasury was forced to offer interest of 5 1/4 per cent. on its initial issue of three-year notes. The second offering was put out at the slightly lower rate of 5 1/2 per cent., while the third set of notes that made their appearance on February 1, 1922, bore a rate of 4 3/4 per cent. With a more favorable money market on August 1, 1922, the Treasury touched the low point, when

its offering of \$300,000,000 in four-year notes brought forth a subscription that was more than four times the amount announced, although the rate was 4 1/4 per cent.

The 25-30 year bonds followed in sequence upward on the two final offerings. However, at the same rate, but the yield bounded it is asserted that the cost to the taxpayer in interest charges was lightened by the re-financing, as the bulk of the Victories replaced yielded 4 3/4 per cent. to their holders. The Treasury certificates, having more flexibility and reflecting more rapidly the immediate conditions in the money market, were floated at interest rates ranging from 5 1/2 per cent. down to 3 1/2 per cent. Thus, even on borrowing to meet current requirements, the government paid less.

Savings Deposits Amount to \$17,301,012,000

SAVINGS deposits in the banks and trust companies of continental United States were reported to the extent of \$17,301,012,000 on June 30, 1922 according to the final compilation for that date by the Savings Bank Division of the American Bankers Association. This aggregate of savings deposits is 47 per cent. of all bank deposits on that date.

The increase over June 30, 1921 was \$682,417,000, or 4.1 per cent. This confirms the estimate by the Federal Reserve Board which showed 3.5 per cent. on the basis of their monthly reports from 852 representative savings institutions from all reserve districts with savings deposits on July 1, 1922, of \$5,934,512,000.

Percentage of Increase

THE savings and time deposits reported on the two dates by the different types of banks were as follows, all statistics from state banks other than mutual savings banks being combined with trust companies on both dates because of lack of uniformity in reports from the states:

	June 30, 1921	June 30, 1922	Increase %
Mutual savings banks	\$ 5,582,812,000	\$ 5,696,439,000	3.9
State banks and trust companies	7,406,292,000	7,530,292,000	1.6
National banks	3,629,491,000	4,074,281,000	12.2
United States	... \$16,618,595,000	... \$17,301,012,000	4.1

This total of savings deposits in 1922 is distributed between ordinary pass-book accounts subject to thirty day notice, time certificates of deposits, and postal savings in the banks and trust companies of the various parts of the country shown in the following table, which also indicates the propriety of including all time certificates of deposit because of the relatively small amount issued in the northeastern States and the extensive use of such certificates in the place of pass-book accounts in the middle and western States.

JUNE 30, 1922. (000 OMITTED.)					
	Savings Deposits	Certificates of Deposit 30 days and over	Postal Savings Deposits	Total Savings Deposits	Per Capita Deposit Estimating Total Savings to Total Deposits %
New England States	\$2,740,638	\$48,638	\$12,541	\$2,801,817	\$367 65
Middle Atlantic States	6,185,923	344,996	29,829	6,560,748	260 45
Southern States	876,469	438,489	4,089	1,319,047	42 36
East Central States	3,156,875	1,229,722	19,503	4,406,100	143 47
West Central States	249,237	489,194	2,247	740,678	85 38
Pacific States	1,373,061	90,955	8,606	1,472,622	202 51
Total United States	\$14,582,203	\$2,641,994			
				\$76,815	\$17,301,012
					\$158 47

The percentages of reported savings deposits, including time certificates and postal savings in banks, to all bank deposits in the various parts of continental United States on June 30, 1922, as compared with June 30, 1921, are as follows:

	June 30, 1921	June 30, 1922
	%	%
New England States	66	65
Middle Atlantic States	42	45
Southern States	37	36
East Central States	49	47
West Central States	38	38
Pacific States	54	51
Total United States	48	47

The number of savings depositors as indicated by the number of savings accounts shows an increase of 13.8 per cent. on June 30, 1922, as compared with June 30, 1921. However, there was an increase in the number of States reporting on savings deposits in state-chartered institutions other than savings banks from eighteen to twenty-eight. The increase in number of savings accounts during the year was 4.9 per cent. if we exclude the States reporting for the first time in 1922. We note also that the third annual report of the Savings Bank Division on school savings banking revealed 1,271,029 pupils as having savings accounts during the school year of 1921-1922 as against 802,906 during the previous year. The distributions of depositors between the different types of banks is reported as follows:

No record can be found nor have we at-

	June 30, 1921		June 30, 1922	
	No. of States	No. of Accounts	No. of States	No. of Accounts
Mutual Savings Banks	17	9,654,989	17	9,652,569
State Banks & Trust Cos.	18	8,967,106	28	11,797,424
National Banks	A11	8,015,736	A11	8,873,327
United States				
			26,637,831	30,323,320

Argentina's Financial Problem

By G. BUTLER SHERWELL

Central Banking System Needed. Present Method of Controlling Circulation Mechanical and Not Sufficiently Elastic. Banks Cash Reserves Too Large. Domestic Financing Very Largely in Hands of Foreigners. Agricultural Interests Need Larger Credits.

In view of the special interest in the financial affairs of Argentina due to the plans for economic reform likely to be considered by President Dr. Marcelo T. de Alvear's administration, it is important to inquire into the economic status of the Argentine Republic and into the measures taken by previous administrations on the subject.

José A. Terry in his book "La Crisis" (p. 247) speaks of the urgency of a banking reform in Argentina in the following words: "We should take up the banking question as one of party issue; we should bring this discussion to the press, to the parliaments, to the public markets; we should get together by the force of the idea, without consideration of the political colors which divide us, and in that manner we shall rid ourselves of that inheritance of hatred which dominates each one of us, and which, unconsciously is carrying us towards the precipice of our ruin and the discredit of our country."

No radical difference in opinion appears to exist among the students or Argentine financial problems. The general conclusion seems to be that the monetary system of Argentina, in the first place, is mechanical and, therefore, imperfect. Its influence is felt in all the economic endeavors of the Republic, since it provides the country with a circulating medium in amounts and forms which are prejudicial to the long wished for development of the country from internal sources. The periodical economic crises which affect the Argentine take away from the working man his hard-earned savings. These crises are a stumbling block to commerce and industry. The currency problem in the Argentine Republic will have to be studied at the same time with the subject of banking reform if not before.

A Premium on Speculation

THE currency at present in circulation in Argentina is issued and goes back to the Caja de Conversión, without being guided by the financial necessities of the country, which are the only ones which ought to determine the currency movements. The conversion office is not able to arrest either an excessive income of gold or an unnecessary issue of notes in the market. On the contrary, it frequently happens that considerable amounts of currency are issued under circumstances which are not in accordance with the real necessities of the market, and this only makes an opportunity for speculative operations. On the other hand, there are sometimes withdrawals of gold, with the consequent reduction in currency bills, during the times

when they are most needed, such as during the crop periods.

The deficiencies of the monetary system of Argentina have been severely felt during the last few years. In 1920, when gold came into that country in amounts proportional to its swollen balance of trade, the accumulation of this metal would have been the cause of a very serious situation had it not been for emergency measures taken at the time, such as the loan to the Allies.

To the evident deficiency of the monetary system must be added the apparent lack of banking organization, and the fact that the wealth of Argentina is to a considerable degree dominated by the interests of the credit institutions, the majority of which are foreign. The latter point is of vital importance inasmuch as the foreign banks, enjoying the powerful backing of their head offices abroad, do not bring into the country real capital, but actually operate with the national savings from which they obtain profits which go abroad in the form of dividends, which play such an important part in the balance of trade under the caption of invisible imports.

Control in New Hands

OUT of twenty-nine banks included in the official statement of banking conditions, only five institutions bear names truly Argentinian. Dr. E. S. Zeballos, in a speech before the Chamber of Deputies on September 16, 1914, made a statement to the effect that there were at that time eight or ten banks in Buenos Aires which controlled the greater part of capital with which the country was working and with which the crops were bought. If to this group of banks several private banking houses were added, it might have been safe to state that about fifteen or twenty banking houses controlled the total of the Argentine capital.

All Argentine banking institutions, either national or foreign, keep their cash balances of gold and currency in such proportions that their development is hampered and the efficiency of their credit operations is interfered with. The following table, showing the principal items taken from the statements of condition of the thirty-two most important banking institutions as of July 31 and December 31, 1922, seems to corroborate the foregoing statement fully:

	DEPOSITS	LOANS AND DISCOUNTS		
	Gold	Currency	Gold	Currency
Totals for July 31.....	8,867,605	3,308,091,487	5,127,657	2,473,007,452
Totals for Dec. 31.....	9,723,979	3,456,325,669	5,983,362	2,664,228,284
	Gold	Currency	Gold	Currency
Totals for July 31.....	34,953,815	1,012,703,118	47,883,412	395,310,442
Totals for Dec. 31.....	34,661,095	1,024,662,845	43,987,579	404,746,359

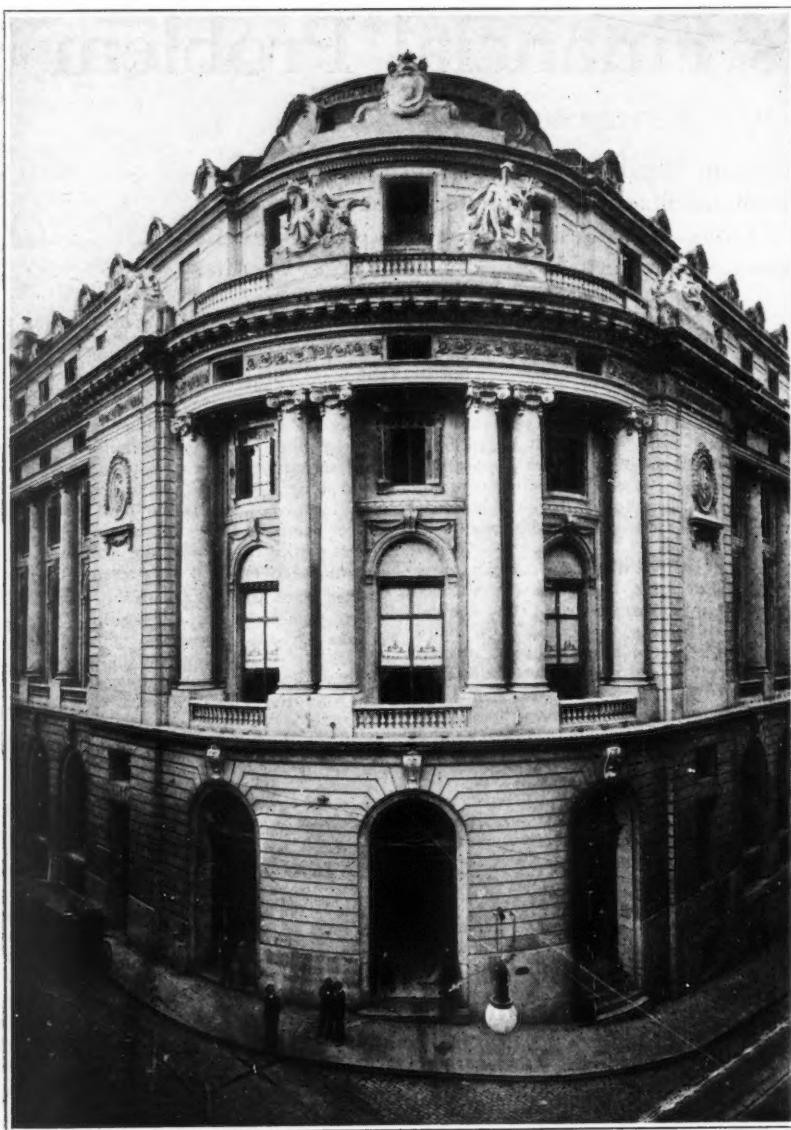
The excessive holdings of cash in the big Argentine banks are due to two fundamental reasons. First, there is the saturation of commercial credit with short term loans, the only form in which most of the banks are willing to give financial assistance, though the cattle and farming industries are seriously handicapped by the lack of long term loans. The second reason is the lack of a protective banking system, which would provide for contingencies and eventualities to which the banks in Argentina are exposed at present.

Not until just before this is written did there come news from Argentina that the banks of that country are planning to organize. According to the reports the leading national bankers purpose to form an Argentine Consortium of Bankers, with the object of working towards the economic independence of Argentina, taking upon themselves the functions of foreign houses in future loan operations for the Republic. It is reported that seven of the leading banks have already adhered to the project. One of the functions of this body according to the plans, would be the marketing of municipal and industrial securities on a large scale, which would tend to reduce the large amounts of idle money held in the vaults of the banks at present.

If this idea ever materializes it will be a great step forward in Argentine financing. At present, notwithstanding the large gold and currency banking reserves, the habit of borrowing abroad, at great expense for the Government and the people, is too strong to overcome. Money in Argentina is plentiful, but it does not circulate.

Could Employ Surplus?

THERE is no doubt that now, when the Argentine Government is considering funding a large part of the national debt, if the bankers of the country would get together and appeal to the patriotism of the people to subscribe to an internal loan to repay certain foreign obligations, they would give employment to the idle surplus accumulated in the banks. If the question, "Why should payment for interest be allowed to go abroad?" was properly presented to the people, an Argentine Government loan would certainly command at home the same confidence it does abroad.



The Exchange, Buenos Aires

Monetary Reform Vital

IT is, indeed, unfortunate that since the ill-fated project for the creation of the Banco de la República in 1917 no further executive activities have been directed towards such a vital question as the reform of the monetary and banking situation of Argentina. It is an imperative duty of the Government to deal frankly with the banking situation, as well as to solve other problems, such as the tariff and the financial policy of the State, which should be directed towards avoiding further deficits, which have greatly affected the economic status of the country, and reducing the foreign debt to the greatest possible extent. The accompanying chart, shows the extent of the annual deficits of the Argentine Government.

Argentina is holding at present 466,476,-

974 gold pesos in the Caja de Conversión, about 35,000,000 gold pesos in the banks and 4,123,157 pesos in gold bonds. She is recovering from a period of serious economic crisis as a result of the war. The economic battle has been fought with courage and sacrifice. The treasure is intact and Argentina can justly boast of an exceptionally sound financial basis, no matter how disorganized its monetary and banking systems may be. Notwithstanding the fact that Argentine exchange suffered considerable depreciation in spite of its metallic guarantee, due to scarcity of media of payment to foreign countries, the gold was not allowed to leave the country and the laws prohibiting the exportation of this metal are still in force. The sacrifice was considerable and the losses were painful, but Argentina met finally with success and its credit is spotless.

Large Foreign Interests

THE country has had a very sad experience with the metallic guarantee of its paper currency issues. It would be childish to harbor thoughts to the effect that this metallic guarantee, if protected by laws prohibiting gold exports, would be in danger of disappearing in case of an internal crisis. But it must not be forgotten that some 2,800 million pesos gold is the foreign capital calculated to have been invested in Argentina. This capital produces an annual increment estimated at 160 million gold pesos, which are sent abroad in the form of dividends. These items affect deeply the balance of trade, and if payments cannot be effected with national products exported, then, other sources will have to be found.

In the meantime, while the necessity of an immediate currency and banking reorganization becomes more and more evident in Argentina, several of the leading economists of the country advise the adoption of measures directed towards the protection of the national industries with the object of developing the natural resources of the country and creating sources of wealth produced and invested in Argentina. Dr. Alejandro E. Bunge's last book, "Las Industrias del Norte," supports protection. Dr. Lamas advises the establishment by the governments of maxima of imports of particular commodities, after proper consideration of the exploitation of the national wealth in order to create products which are now imported from abroad.

If Argentina adopted measures directed toward the limitation of importations, in all probability the country would become in due course, a self-supporting nation. In other words, the problem is one of developing and stimulating by all means, the domestic trade. When Argentinians producers or industrialists sell their products to Argentinians, the transaction is twice as helpful for the development of domestic commerce and industry.

No True Central Bank

IN the countries where there is a central bank of issue, the other banks employ their idle funds in purchasing interest bearing securities of easy liquidation and do not keep in their vaults enormous amounts of currency. They only have it in quantities sufficient to meet the demands of their customers. If at any time the incorporated banks are in need of cash, they obtain it by depositing with the Central bank government bonds or rediscounting their commercial portfolios in accordance with their requirements.

In Argentina, there does not exist a central bank in the true sense of the word. The Banco de la Nación Argentina and the Caja de Conversión perform discount and issue functions separately. The semi-official institution, the Banco de la Nación is by no means a bank for bankers. Certain it is that a provision was included in its charter authorizing the bank to rediscount commercial documents for other banks, but for an amount not to exceed 500,000 pesos and this provision does not carry a binding clause.

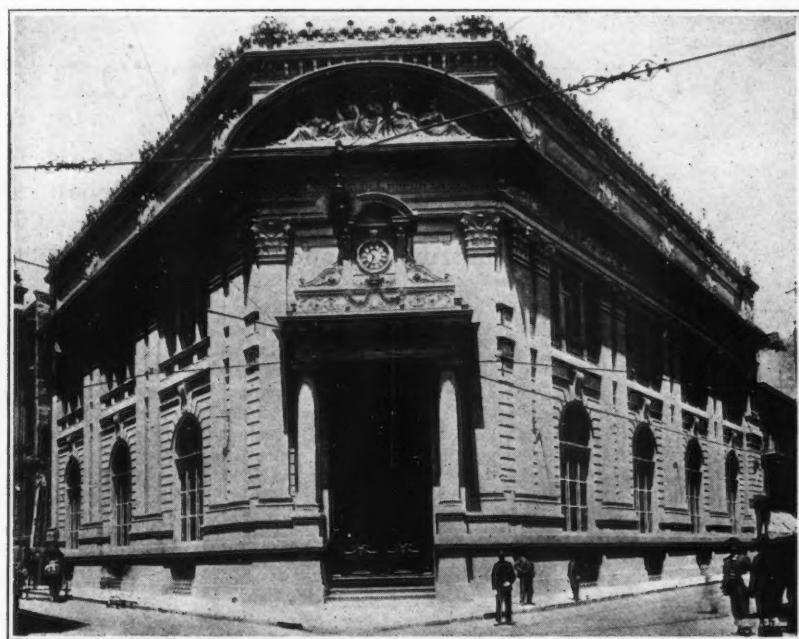
By the provisions of its charter all the

credit functions at short or long-term, commercial, industrial, or agricultural were centered in it. The resulting confusion has not seriously impaired the development of the bank due to reasons of easy explanation. Its capital was easily acquired from the Caja de Conversión at the time of its establishment; it is not a bank of issue; considerable assistance has been given to it by other institutions; its special autonomy has been respected by all Governments and its management has been most efficient.

Many Millions Not Repaid

THE purpose for which the Caja de Conversión was established, on the other hand, has not been filled with entire satisfaction, due to the direct action of the Government upon its functions. The Caja has been required by special laws to advance to the Banco de la Nación the 50 million pesos capital with which it was established and to advance 60 million pesos to the Banco Nacional, the Banco Hipotecario and certain municipalities. The total of 110 million pesos has not yet been returned to the Caja, and neither has there been turned over the 72,407,267 gold pesos delivered to the Government by the provinces against bill delivered for 115,183,553 in accordance with the law of "Bancos Garantizados."

Thus, useful as has been the Caja in keeping the Argentine currency on a sound metallic basis, its functions have been frequently subjected to official interference, and as has been said, it has not been able to regulate the amount of circulation in accordance with the market demands. It is evident after this consideration, that with regard to the currency question in Argentina, the creation of a Federal Reserve Bank with functions similar to those of this country, adapted, naturally, to the local necessities, would be a solution of the problem. The authors of the present law of conversion formed a mechanism of



Spanish Bank of the River Plate

permanent and perfect metallic convertibility. They did not see in the employment of the reserves of the banks another monetary horizon, quite foreign to the present monetary system of Argentina. Prohibition of gold exports from Argentina may become an issue.

Plan for Central Bank

JUNE 25, 1917, a project for the creation of a central bank to be called the Banco de la República was submitted to Congress, but no action for its establishment was taken. The Minister of Finances, Mr. Salaberry, was a strong supporter of the project for the establishment of such an institution. He stated in his speech de-

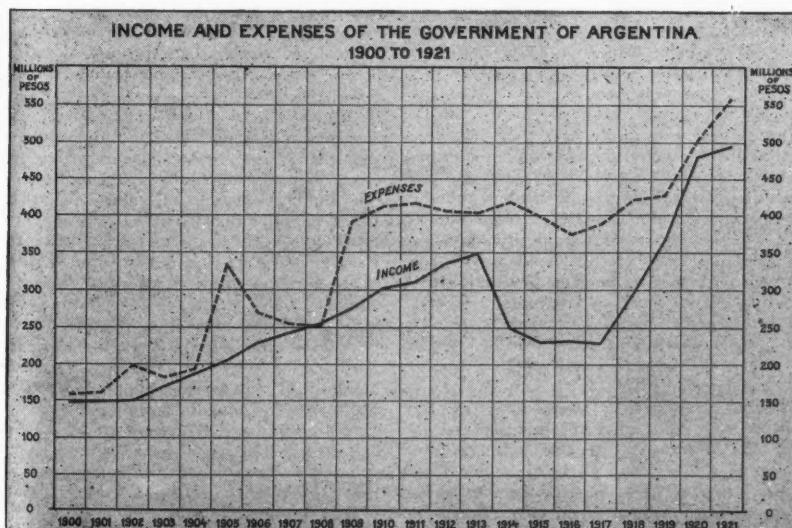
livered before Congress on August 25, 1917, that two vital necessities have to be satisfied in the reorganization of the Argentina finances; first, to give the privilege of issue to a central institution which would make use of this privilege in accordance with scientific and economic principles, and second, to give to this institution the privilege of circulation control in accordance with the movement of business.

The functions to be performed by the Banco de la República included: the issue of national currency, the inspection and control of circulation, the conversion of metallic coins into proper currency and other functions now performed by the Caja de Conversión. It could discount, and rediscount commercial paper and issue bills against bonds, documents, or national securities as well as the securities of privately-owned banks incorporated in the central banking system held in its country, provided that the metallic guarantee of the legal currency did not fall below 40 per cent. It would be its duty to develop commercial, industrial, agricultural and cattle raising credits. It was to control international exchanges, fix the rate of discount, issue bonds and buy and sell national bonds, and deposit such bonds abroad if necessary for the control of exchange rates. It was also to perform the functions of a clearing house.

Behind Central Bank Vision

THE bank would have a capital of 129,000,000 pesos gold. The Caja de Conversión and the mint would be under its jurisdiction. The Republic would be responsible for all the obligations of this bank, it would be administered by a board of directors composed of a president and four "vocales" appointed by the executive with the approval of the Senate. The ad-

(Continued on page 110)



Workshop of Organized Banking

New Headquarters of the American Bankers Association. Spirit of Accomplishment in Behalf of All Banking Has Received Definite Stimulus from New Surroundings. Closer Economic Acquaintancehip Between the Banker and the Public.

THE new headquarters of the American Bankers Association look down on some of the busiest corners in the world that typify vividly the driving, thriving spirit of America.

They look across the street to the Grand Central Station, from which radiate fifteen thousand miles of rail lines, north, east, south and west into the varied life of the nation, and over those rails roll in and out daily seven hundred trains, containing in busy periods some 5,000 coaches, and carrying 110,000 people. Through the station daily an additional 200,000 people pass, using it as a thoroughfare or greeting folk at the trains.

The headquarters look out on the encircling chain of hotels, among the best in the world, offering more than 6,000 first class sleeping rooms to New York's visitors.

They look, also, on the busiest corners of New York's street traffic, past which thousands of automobiles flood hourly, creating the world's greatest traffic jams; and they look on the main lines and stations of the city's subway and elevated systems that carry a round billion of fares yearly. They look, as well, on one of the nation's main water lines,—the East River, with its hedges of great factories, its docks and its multitude of cargo vessels. On clear days the view takes in the five great bridges, from the mammoth arches of the Hell Gate Bridge on the east, lifting their thousand foot span a hundred and thirty-five feet above the water, down through the three suspension structures to the old Brooklyn Bridge, with their sweeping fifteen hundred foot spans of tremendous steel cables drooping down from three-hundred foot towers.

The headquarters, from their vantage point on the eighteenth floor of the Bowery Savings Bank Building, look out on these and a multitude of other symbols of the rushing, yet substantially creative, American spirit. If it was the intention to place this workshop of organized banking in a stirring midst, where it would feel the full current of America's restless, resistless energy, no better point could be chosen for the purpose.

The new spirit of accomplishment that has been gathering headway in the executive offices of the Association under the impulse of a succession of dynamic administrations, has received a definite stimulus from these new surroundings. It is impossible to be in the center of great works without feeling the incentive to work more greatly.

The new offices are frankly built for practical business, with efficiency of operation so far the controlling principle, and

ornamental effect so far the minimum consideration, that a visitor has said, "This looks like the working offices of a big factory rather than the headquarters of kid-glove banking,"—a somewhat extreme statement of the case and sounding rather like a left-handed compliment, but nevertheless expressing an accurate appreciation of the underlying design of those who planned them.

A Workshop

THESE offices are a workshop, and a recent description by President Puelicher of the present day work of the American Bankers Association shows why a workshop is needed. Mr. Puelicher said:

"The work the Association is doing, it is doing for America. It is not aimed to advance the cause of bankers as opposed to, or even as distinguished from, other units of American life. It is working solely to advance the welfare of America,—to benefit all Americans. In a benefited America will be found the highest benefit for bankers.

"The American Bankers Association, therefore, in purpose and action, is the *American Association*. The make-up of its membership, the structure of its organization, particularly fit it to live up to this high title, to meet effectively the great obligations that are therein implied and that conditions today forcibly emphasize.

"At the opening of the present administration of the Association it was felt that vigorous continuance of the campaign of public education to broaden general understanding of banking, its economic significance and of its public obligations would necessarily be the leading phase of our activities during 1922-23. The subsequent months have verified this. The need for public education in banking and other economic subjects has steadily been made more imperative by developments during this period.

"Therefore an unflagging effort is being made to bring about closer economic acquaintanceship between the banker and the public,—to develop a better general understanding of the fundamental principles on which the work of the banker is based in serving the personal and business interests of every man, woman and child in the nation, directly and indirectly.

Chief Emphasis

THE privileges of membership are no longer the only reason for joining the Association. The chief emphasis is now upon the responsibilities of membership. Unless we can convince our members that the future of our profession de-

pends to a large extent upon the public service of this Association, we shall make little progress. We need the services of the ablest and best of our profession, and we must convince them that in giving freely of their time and energy to the Association they are furthering in every way the interests of their own institutions, of their profession, and of their country.

"It is from such motives that we are putting such great emphasis on the educational work. You know the slogan; 'The banker nearest every school house to aid in the economic education of the children of America.' By this is meant that the future of our country is necessarily dependent upon the children who are at present in school. It is there that we must seek to check radical and vicious movements if we wish to preserve the institutions of our country.

"In our endeavor to bring information also to the adult population of our country, we have also gone to the libraries. We have asked the librarians to compile lists of books which they think will help to educate and give to our population a better understanding of modern conditions. Banks in turn have agreed to undertake the distribution of such bibliographical lists to their customers, in the hope that here and there the seed thus sown will fall upon fruitful ground. The banks take no part in the compilation of the lists of books. This is the work of the librarian who knows best what books it is desirable to bring to the attention of the public.

"The whole banking profession has been made more useful as a result of these lines of work. It makes for better educated men and women and children,—a public who appreciate that more can be achieved through education than through agitation; through peace and harmony than through discord and strife.

"But we do not stop at stimulating the distribution of true economic knowledge in the schools and through the libraries. We have also developed through the work of the Public Relations Commission means for keeping sound business doctrine continually before the general public. The Association is sending to the country weekly and daily press articles on business, banking and economics aimed to offset radical propaganda tending to unsettle public confidence in the present business system, and to bring on a period of unsound money. Material containing simple statements of fundamental economic truths is going regularly to thousands of papers that have expressed a desire for it. The results have been most gratifying, showing that the columns of the weekly and daily press are eager for sound business material.

The Workshop of Organized Banking



A Morning Conference at the Headquarters of the American Bankers Association



Oval Insert
F. N. Shepherd, Executive Manager

Above
Legal Library and some of the General Counsel's Assistants

At Right
General Counsel's Office



COME TO ATLANTIC

AMERICAN BANKERS ASSOCIATION CONVENTION
SEPTEMBER 24 to 27

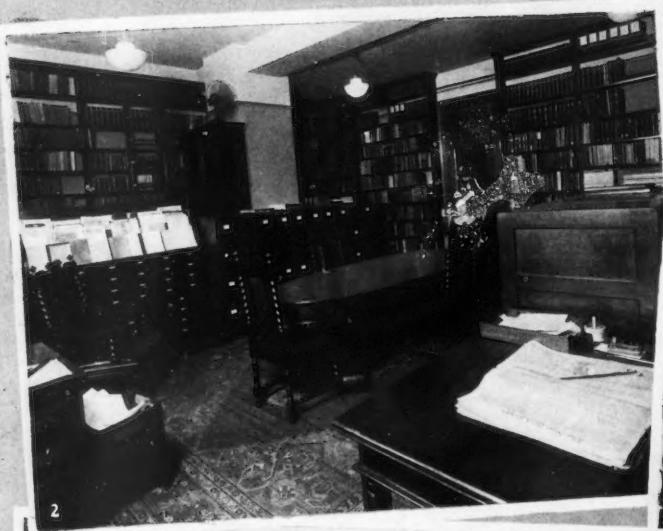


CITY IN SEPTEMBER

AMERICAN BANKERS ASSOCIATION CONVENTION
SEPTEMBER 24 to 27



The Workshop of Organized Banking



2



Views in the New Headquarters of the
AMERICAN BANKERS ASSOCIATION
110 East 42nd Street, New York

1—Main Lobby; 2—Library; 3—General Workroom; 4—Machine Room; 5—Workroom of the American Institute of Banking



3



4



5

VISIT THE A. B. A. HEADQUARTERS

Bankers Are Cordially Invited to Make Use of the Many Banking Helps Available Through the Various Activities of the American Bankers Association.

"Members of the Association have expressed themselves as feeling that their membership in the Association is returning them additional value received in the form of an improved public sentiment built up toward business and banking. We believe that this service is materially improving the understanding and good will among publishers and the public.

Dues Coming Back

WE feel that it is a most effective means among the Association's activities first to sell the Association to the bankers of the country by showing them that their dues are coming back to them in the form of improved local sentiment toward banking, and in a generally better public opinion toward business; and, secondly, to sell the bankers to the country through presenting the business of banking in its true light as a great public service.

"This work will be reflected not only in better understanding in regard to banking problems but in profit, peace of mind, in standing, both at home and in the nation, for every banker in the country. It is the greatest defensive weapon we could employ. You all know the widespread agitation—unsound credit, money, unsound activities of all sorts, new efforts by those who have been injured in the general reaction to lift themselves up by their economic bootstraps. It always happens in the history of the democracy that these things come up in periods of distress. Certainly, with everything at stake, we have a very great duty to the American people yet before us, to get before them the basic facts of understanding on our economic problems. There is no finer service to be rendered not only to ourselves which can show on the profit side of our books, not only to the general banking community, but to the country as a whole and the business community.

"The Association does not limit its public services to these educational campaigns. Questions of general public moment are constantly being handled by the various commissions and committees of the As-

sociation.

"The Agricultural Commission is giving unceasing attention to the financial needs of the farmer and is working to bring about a growth of mutual understanding between agriculture and finance.

"Still other broad public problems engage the attention of the Association. The foreign situation and America's world economic position are the subjects of study of the Commerce and Marine Commission, while the internal economic policies of the nation, such as sound currency, Federal Reserve Banking, labor and many other topics are in the hands of the Economic Policy Commission.

"In the banking field itself the National Bank Division, the Savings Bank Division, the State Bank Division and the Trust Company Division are carrying on the more specialized activities of the Association, involving the various classes of banking institutions indicated in the names of these major subdivisions of the Association. The Clearing House Section is serving the interest of banking as a whole in perfecting the machinery for the transference of funds and other inter-banking operations. The American Institution of Banking Section is also serving the interests of all banking in developing among the younger bank employees better qualified personnel for conducting bank operations more efficiently and rendering better economic banking service to the nation. The State Secretaries Section is active in promoting the common interests of the many state bankers' associations and the State and Federal Legislative Committees and Council, and the Committee on Taxation are rendering splendid service in developments in those fields affecting banking. The Protective Department is giving effective protection to banks against the operations of criminals.

Institution of Service

THE manifold activities of the Association truly make it an institution of service to the banks and to the nation. It is truly the American Association in

all the high senses that name implies."

The major part of the detail of the work of the Association thus visioned by Mr. Puelicher is carried on in the New York Headquarters. They occupy the entire top floor of the building, comprising about 9,000 square feet.

The visitor stepping off the elevator into the main corridor is confronted by the head offices,—those of the Executive Manager, made large enough and furnished to serve also as a conference room, and of the Secretary adjoining.

The corridor leads, to the right, to the offices and law library of the General Counsel. Next come the rooms of the American Institute of Banking, commodiously housed to carry on its expanding activities. At the end of the corridor is the machine room, containing the reorganized equipment of the addressograph, mimeograph and process letter department.

In the opposite direction the main corridor leads from the elevators to the general banking and economics library of the Association, and on into the main clerical and stenographic room. The grouping of all this work together in the ample space afforded has made possible better supervision and more economic employment of these forces. Large stock rooms adjoin it.

Surrounding this main work room are the offices of the secretaries of the various Divisions, Sections and Commissions and of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION. The arrangement was worked out as a coherent whole by expert space engineers with the end in view of efficiency, convenience and the most economic utilization of space possible.

The establishment of the new offices has worked out fortunately in every way, both mechanically and in respect to the broader aspect of geographic location.

The coming convention of the Association at Atlantic City will again bring a large number of the membership within close proximity of New York. Doubtless many will include a visit to New York in their plans. This will afford them the opportunity for visiting the new offices and to judge of them for themselves.



Some of the Major Problems

BY JAMES E. CLARK

A CLERGYMAN on Long Island has been quoted as saying that the custom of opening Congress with prayer should be abolished and some prominence has been given to his alleged declaration.

His statement is suggestive of the conclusion hastily arrived at by the casual visitor to the Senate Chamber or the House of Representatives who, expecting to see every member of Congress in his seat listening to the routine grind, and finding instead many vacant seats, thinks he has proof positive that the Senators and Representatives are not attending to business, and perhaps he goes back home and tells the folks about it.

The visitor forgets the work which Senators and Representatives have to do as members of committees; forgets that such jobs as forming a new tariff bill, or investigating agriculture, each of which requires months of hearings, are done by committees. He forgets all of that and many other things, such as the time and attention a member of Congress is expected to give to the affairs of his constituents, which affairs are not of a nature to be transacted in the Senate Chamber. A Senator who receives three hundred letters a day from constituents, each of whom requires personal attention, is perhaps serving his constituents and his

country far better in giving some of his time to his mail than he would be in giving his undivided attention to a time-consuming detail in the chamber.

If the suggestion to abolish the invocation were taken seriously at Washington, it is certain that the ensuing defense of the custom in both the Senate and the House would constitute a wholesome revelation to the country, for it would undoubtedly show a finer moral character, than hasty critics are willing to accord to men in public life. It would have been interesting, for illustration, to hear the expression of such a man as Gen. Lew Wallace, the author of *Ben Hur*, on such a proposition. Gen. Wallace was Minister to Turkey from 1881 to 1885.

One of the early acts of the German military party in getting the German people ready for war was to undermine their religious faith. One of the things which has helped us to grow great has been our religious toleration.

As long as the American people thrill in contemplation of the picture of Washington on his knees at Valley Forge, the invocation will continue to be an institution in America. Sometimes we forget that were it not for our moral sense, the background of which is some form of religion, America would not be the place that it now is and business, especially banking, could not be conducted in accordance with present customs.

Elections and Markets

THE particular significance of the election of Magnus Johnson as United States Senator from Minnesota is that it tells the world anew that the agricultural problem has not been solved and that the farmers still are discontented with their lot. The election shows that such efforts as have been made to legislate the farmers into a state of prosperity have not produced the desired conditions, if indeed the various legislative measures enacted ever will bring about that condition of fine prosperity of which the farmers not long ago had a taste. Whatever else the election may indicate, here and there, is probably of secondary importance.

Certainly, this election is not to be regarded as a proof that overseas fanaticism is getting a foothold here, for we have had similar surprises in the United States before and in the course of our national career such things always are likely to occur.

It is not to be forgotten that the people in Minnesota in voting at this Senatorial election were in many instances consciously or unconsciously voting against their discontent. Discontent came first; who or what they voted for came after. The great outstanding fact is that the farmer's market is very unsatisfactory and the people registered their disapproval. In Minnesota, as elsewhere, the strategy of politics always suggests the exaggeration and the capitalization of discontent.

Many political observers in analyzing the Minnesota election have referred back to 1890, when the Populists were in force in Kansas. In that period there had been a succession of crop failures and the people, heavily burdened with debt, saw no way to meet their obligations. "Cheap money and lots of it" was then expressed in the free coinage of silver at the rate of sixteen to one.

Identical results are often produced by different causes. In Minnesota, instead of there being no crops to sell, so much has been produced for a greatly restricted market that the result is like the paralysis of Kansas. In one case there was a market but nothing to take to it; in the other there is an over-production and a market not great enough to take all that the farmers would sell.

It was not alone the bounteous crops for which we always pray that produced the superabundance in Minnesota and elsewhere. The farmers, specially encouraged during the war period, received high prices for wheat. They extended the acreage, many used their profits and their credit to purchase additional land. The working man's wages went up and stayed up thus raising the price of every manufactured thing that the farmer must have. The new high levels in wages in industrial trades brought new high levels for farm labor. The farmer, paying war-time wages for la-

bor, has produced too much wheat for domestic consumption, and expected markets elsewhere in the world have not absorbed it.

Human nature ever was and ever will be partial to an alibi. "Moneyed interests" was a soothing alibi to those who misjudged market conditions. Likewise human nature is all too prone, especially in the time of distress, to adopt a new scheme.

As has been stated, one of the many factors which have produced farmer discontent has been the maintenance of wartime wages in transportation and in industry. Obviously, Mr. Johnson, even if he had the power of correction in hand, would not attack the situation on that front, because he has been supported by organized labor. The one thing which would give his people the condition they desire would be a high price for wheat, and one of the first requisites is more demand. But one Senator may not create a world-wide demand for wheat. The futility of any expectation along that line is indicated in a recent dispatch from Washington. Secretary of Agriculture Wallace sometime ago appointed a special committee, which included several economists, to make a study of the probable foreign demand for American food products. The committee's report now published says:

"Unless the Ruhr situation is very speedily cleared up and a definite turn for the better takes place in Europe, it appears highly probable that Europe will have less buying power in our markets during the next crop years than she had during the last."

As, in the face of such conditions as these, the Senator elect cannot set up the markets of Europe, the next possible move would seem to be along the line of a fixed price for wheat and little more than a make-shift may be expected from that quarter. The more legislation is enacted with the purpose of interfering with the natural law of supply and demand, the more there is needed. If we interfere with the law of supply and demand on one item, that interference presently manifests itself in unsatisfactory conditions surrounding the price of some other items.

Eventually, through Mr. Johnson, those people in Minnesota who do not already know it will learn that the men at Washington are as a body the representatives of people like themselves; that "Wall Street" is composed of men, who like the Johnsons, can milk a cow and plow a straight furrow across a forty-acre lot, and like the people of the wheat district, they, too, have their disappointments and burdens.

The particular significance of the Minnesota election is, therefore, only a new emphasis of the fact that the farmer is still in trouble, and is likely to place the blame hotly and hastily, and in his desperation to sanction without due consideration anything offered which gives promise of relief.

Senator John J. Ingalls, who was defeated in the Populist movement in Kansas in 1890, often has been quoted as saying that he would have been elected had there been two good rains, which rains would have saved the crop. Should there now occur some visitation of Providence or some shift of world affairs, that would create a demand for farm products, the Minnesota election would stand revealed as merely an incident in the functioning of our political machine and not as a turning point in our national character.

Business and Sport

THE failure of two banks, attributed to the efforts of a small town to promote a big pugilistic encounter, illuminates the

place mere sporting events have attained in America's life. Sport, instead of being an incident, has become one of the features of American life. In many newspapers the largest grouping of the daily serving of news may properly be classified as sporting news. A big item in the denuding of lands of forests may be chargeable to the demand for white paper to print extended accounts of fistic encounters between men who fight for money!

Recreation and amusement are both desirable and necessary. The furnishing of both recreation and amusement of certain kinds have their proper place but the trouble of two banks directly due to the promotion of a prize fight prompts the inquiry whether or not we are wandering too far afield in our pursuit of sport and whether or not sport is a worth-while basis for civic building.

Hackneyed Words

OF all the hackneyed words in current use "isolation" should go to the head of the column. As long as we are dependent upon the outside world for rubber alone, ours must be at the best a modified isolation. Thus we might go through a considerable list of imports and in each case arrive at a like conclusion. As long as we want to sell a surplus, we must submit to a give-and-take rule. The story of rubber given elsewhere in this issue of the JOURNAL seems to indicate that the first great accident in automobiling occurred in the infancy of the motor, though it was not generally realized at the time. Now it looks as if the automobile crashed through the isolation barriers, and smashed them beyond hope of restoration!

Recovering Gold From Smoke

BY CARL W. ACKERMAN

IT SOUNDS like fiction to speak of recovering gold from smoke, soot and dust. If there are still skeptics who doubt the possibility of facts being more romantic than fiction they should visit the United States Assay Office in New York, where the Research Corporation, a semi-government institution, is today recovering gold and other metals from the flues of that building. By means of the Cottrell processes of "electrical precipitation of suspended particles" the Research Corporation is proving to the government that some dust, soot and smoke have an economic value.

The Process

ELECTRICAL precipitation consists of the removal of suspended particles from gases by the aid of electrical discharges. The precipitation process operates by passing the gases, carrying the suspended, finely-divided particles, between two systems of electrodes, one of which is made to carry a negative electrical charge while the other carries a positive charge.

In ordinary practice the negative electrodes are small in size, such as iron wires or chain, and the positive electrodes are large, such as iron plates or pipes. The gases are divided into several channels and passed through the space between the wires and the plates or pipes, in the latter case each pipe having a wire placed along its longitudinal axis. The electrodes are charged by being connected with a source of high-voltage electricity, consisting ordinarily of a high-voltage transformer for increasing the electrical potential up to the working voltage, which varies with the size and character of installation from 20,000 to 100,000 volts. The suspended particles while passing between the electrodes become electrically charged and are driven

to the plates or the inner surface of the pipes by the forces of the electric field.

Noxious Gases Removed

A COMMON example of the application of the process is the precipitation of minute particles containing copper, silver, gold, lead, zinc and other valuable metals ordinarily carried away from smelting and refining furnaces which may be by this process recovered from such gases, without interfering with the operation of the plant. The recovered dust or fume, in such cases, is often a large financial saving. In many other industrial operations where noxious gases, fumes or dusts are given off, the process has been successfully applied, some of the materials precipitated being sulphuric, nitric and hydrochloric acid; arsenic, bleaching powder, lead, zinc and other poisonous materials.

The Cottrell processes are the invention of Dr. Frederick G. Cottrell, chief of the Nitrate Fixation Bureau of the government. In 1911 he transferred his inventions to the Smithsonian Institution in Washington as a gift and the following year the Research Corporation was formed under the auspices of the Smithsonian Institution to handle the inventions and apply the profits to the advancement of scientific research and investigation.

An important provision of the charter of the corporation is that no dividends shall be paid on the stock and the entire net profits shall be used to supply means for the advancement and extension of technical and scientific investigation.

Examined Many Inventions

THE corporation has built up a large endowment fund. Last year, it called to its presidency, Dr. A. A. Hamerschlag, president of the Carnegie Institute of Tech-

nology, of Pittsburgh. Today the corporation, with laboratories in Bound Brook, New Jersey, and offices in New York, Pittsburgh and Chicago, is engaged in examining more patentable ideas than any other agency outside of the Federal government. During the last year it has not only passed upon hundreds of new inventions but the engineers, chemists and metallurgists on its staff have examined large numbers of old patents to determine their value as security for bank loans and the permanency of investment as well as the possibility of competition from new inventions.

Intermediary Needed

THE founders of the Research Corporation believe there is opportunity and a need for an organization which can act as the intermediary between the inventor and the manufacturer, which can subject alleged discoveries or inventions to practical tests and render a judicial opinion to the manufacturer which can be accepted as trustworthy. The same service is extended to banks, which are called upon to make loans with patent rights as security.

Up to the present time the corporation has been chiefly engaged in earning the money which would enable it to do for the industrial arts what the Carnegie, Rockefeller and Sage Foundations are seeking to do for the sciences generally, for medicine and for the improvement of social conditions. As a further step it now offers an annual fellowship open to general competition for the purpose of encouraging and assisting scientists in the prosecution of their investigations. To the successful competitor the corporation offers an honorarium of \$2,500 and assistance in securing the most favorable opportunity for prosecuting the particular object of study.

Opinions of the General Counsel

THOMAS B. PATON

Check Payable "In Exchange" At Drawee's Option

UNDER Statute of North Carolina drawee banks are given the option to pay certain checks "in exchange" drawn on their reserve funds. The question is presented whether the negotiability of such checks is destroyed. Opinion: The authorities are in conflict whether an instrument payable "in exchange" is or is not negotiable. Wherever held non-negotiable, if such option was stated on the face of the check, negotiability would be destroyed and equally where the option is provided by statute which enters into and forms part of the contract, negotiability would be destroyed in all jurisdictions which hold an instrument payable "in exchange" non-negotiable.

From Kentucky: Referring to the decision of the United States Supreme Court rendered June 11th, 1923, in which it was held that "An Act to Promote the Solvency of State Banks" was constitutional and by the provisions of which all checks drawn on banks and trust companies chartered in North Carolina shall, unless specified on the face thereof to the contrary by the maker or makers thereof, be payable at the option of the drawee bank in exchange drawn on the reserve deposits of said drawee bank when such check is presented by or through any Federal Reserve Bank, post office, or express company, or any respective agents thereof, it would seem to me that this optional provision makes all such checks (those not specified on the face) non-negotiable and complicates the collection of them. Kindly advise if this agrees with your views.

1. There is a conflict of authority as to the negotiability of an instrument payable "in exchange." Before the Negotiable Instruments Act several state courts held such instruments not payable in money and consequently not negotiable, although in a Federal court case it was held that the instrument was payable in money with exchange added and was therefore negotiable. Since the Negotiable Instruments Act a Federal court has held that under that Act such an instrument is payable in money with (i. e., "in" or by giving) a bill of exchange, therefor. Security Trust Co. v. Des Moines Co., 198 Fed. 331. Counsel of the Federal Reserve Board, in an opinion rendered in 1916, reached the conclusion that the instrument was not payable "in money" and was therefore not negotiable. All the cases on the subject are reviewed in an article in the Journal of the A. B. A. for March, 1917, at page 741, and reference to all such cases will be found in the "Digest of Legal Opinions, 1921," pp. 876. At best there is a conflict of authority on the subject.

2. Assuming an instrument payable "in exchange" non-negotiable, as will doubtless be held in some jurisdictions, the further question arises whether a statute of the state in which the drawee is located which gives such drawee the option to pay in exchange enters into and forms part of the contract, the same as if the check had on its face, "payable at drawee's option in exchange," or whether this option must be stated on the face of the check to destroy negotiability?

If the option was stated on the face, negotiability would be destroyed in all those jurisdictions which hold a check payable "in exchange" non-negotiable for it has been held that where the instrument reserves to the maker or drawee the option to discharge it by performance of some act other than the payment of money, the instrument is not negotiable. Looney v. Pinckston, 1 Overt. (Tenn.) 384; Hopkins v. Seymour, 10 Tex. 202; Boulton v. Jones, 10 U. C. Q. B. 517; Going v. Barwick, 16 U. C. Q. B. 45.

But in the present case the option is not stated on the face of the check, but is provided by statute. Nevertheless, it seems to me that it would be held that the statute of the state in which the drawee is located enters into and forms part of the contract and that the instrument is one ordering the payment of money, with an option to the drawee to pay in exchange, equally as if the option was stated on the face; consequently in any state where the courts should hold an instrument payable "in exchange" was not payable in money, the check would be held non-negotiable.

We do not think the fact that this check was paid by the bank to which it was made payable takes the case out of the above general rule and brings it within the category of cases where a drawee bank is bound by its payment and cannot recover from a bona fide holder. A drawee which pays an overdraft or pays a check upon which the drawer's signature is forged cannot, as a general rule, plead its mistake and recover the money from a bona fide holder who has received payment because the lack of sufficiency of funds in the one case and of genuineness of the drawer's signature in the other are matters resting peculiarly within its knowledge. But this reasoning does not apply to the present case. Here, the fact that the check was unendorsed by the payee was equally apparent to the holder and to the bank of payment, and furthermore, there can be no bona fide holder of a check lacking the indorsement of the payee.

It follows that the money is recoverable by the drawee bank from the bank which received payment and the latter, in turn, has recourse upon its depositor to whom it gave credit for the check.

Check Payable to "Yourselves"

(I)

A CHECK payable to order of "yourselves" is payable to the drawee and where such check is lost before reaching the drawee and afterwards deposited in a bank and inadvertently paid by the drawee, the money is recoverable as paid under mistake of fact to a holder without title.

From South Carolina: Some time in May one of our depositors at our branch gave a check for \$23.09 drawn to order "yourselves." The check became lost but the loss was not reported to us. It was found by a disinterested party and presented at another bank and credited his account. The branch unfortunately passed the indorsements. Who loses, our bank or the other bank? When a check is drawn to "yourselves," does that not mean to the bank on which it is drawn?

A check made payable to the order of "yourselves" would properly be construed as payable to the order of the drawee and not to the holder to whom the check was forwarded. (See Digest of Legal Opinions, 1921, Paragraph No. 1803.)

Under the Negotiable Instruments Act, an instrument may be drawn payable to the order of the drawee. Sec. 8. As this check was payable to the order of the drawee and was not indorsed by the drawee, neither the holder who found it nor the bank in which it was deposited acquired a good title thereto and the drawee bank has a right of recovery from the bank which received payment, on the ground that it has paid money to a holder without title, under mistake of fact without consideration, as to which the law raises an implied promise to repay. See, for example, First National Bank of Minneapolis v. City National Bank of Holyoke, 182 Mass. 130.

Check Payable to "Yourselves"

(II)

A CHECK payable to order of "yourselves" is payable to the drawee and not to bearer. Should the drawee in any case give cash for such a check to a holder other than the drawer its right to charge the drawer with the amount would depend upon whether it would be held to have purchased such check as payee under such circumstances as to constitute it a holder in due course. The decisions whether a payee can be a holder in due course are conflicting. Although in strict law such a check is payable to order and not to bearer, if in any such case the check was held chargeable to the drawer it would practically operate under such conditions as a bearer check but not on the theory that it was payable to bearer, but that it was purchased from the bearer by the payee as a holder in due course.

From South Carolina: We will appreciate it if you will advise us what is the law covering a check drawn as follows: "Pay to the order of yourselves."

A number of years ago our bank, and a number of the banks with whom we deal, used to send remittances for cash letters, or for collection items, with the checks remitted in payment drawn in this way, but of recent years we have seen comparatively few checks so drawn. Our recollection is that about ten or twelve years ago we saw a decision which held that a check drawn in this way was in effect payable to bearer, and at that time we discontinued the practice of drawing checks in that way, which were to be used to make payments to the order of the banks upon which the checks were drawn. If you can advise us of the law, and give authorities, bearing on this point, we will appreciate it very much.

A check addressed to a drawee bank made payable to "order of yourselves" is susceptible to no other construction than

that it is payable to the order of the drawee, although we know of no decided case involving this precise form of check. The Negotiable Instruments Act in its definition of when the instrument is payable to order, includes an instrument drawn payable to the order of "the drawee" and an instrument payable to "order of yourselves" must, we think, be considered as payable to order and not to bearer.

But while this is true and such an instrument is not strictly payable to bearer but to order, there may possibly arise a situation in which such a check may, in effect, operate as a bearer check; that is to say, where the bank may be protected in giving cash to the bearer of such a check. What we have in mind is this: There are a class of cases where A's check, payable to B, is purchased or obtained as matter of accommodation by a third person from A for the purpose of delivering to B in some transaction of such third person with B, in which the question has become important whether B, the payee, can be a holder in due course so as to enforce the instrument against A free from his defense against such third person. Under the Negotiable Instruments Act some courts have held that the payee may be, and others that he cannot be, a holder in due course. Now in any such case, if B is the drawee as well as the payee, and a third person is intrusted by A with a check drawn on and payable to B for the purpose, we will say, of lifting A's note held by the bank but used instead by the third person to lift his own note and receive a balance in cash, and it should be held by a court favorable to the doctrine, that as a payee can be a holder in due course, B, as payee-drawee, in giving cash for value to a third person in good faith, was such holder, then we would have the result that the check was in any such transaction in effect, payable to bearer because cash given the bearer by the drawee would be chargeable to the drawer. But strictly, this would not be because the check in terms was payable to bearer, but because the payee (who also chances to be drawee) was a purchaser of the check under such circumstances as to constitute it a holder in due course with enforceable rights against the drawer.

Questions have heretofore been considered where customers of banks have made their checks payable to the order of the bank for the purpose of drawing the money for pay-roll purposes or of purchasing drafts and the employee of the customer intrusted with the check has received the cash and misappropriated the funds. (See Digest of Legal Opinions, 1921, Items #958, 959.) We have reasoned that the protection of the bank in such cases depended upon (1) whether it, as payee, could be a holder in due course, and (2) whether the bank could prove actual or apparent authority to the employee to receive cash on such a check; and we have advised against the use of such form of check for such purposes and that the customer be required to draw checks payable to bearer.

Recently an inquiry came from your state involving a check payable to "order of yourselves," which had been lost and afterwards deposited in a bank and paid by the drawee in which we gave the opinion that

the check was payable to the drawee and not to bearer and that as the check had not been negotiated by indorsement of the payee-drawee, the holder acquired no title and must refund to the drawee. In that case the question involved was recourse of the payor bank upon the holder receiving payment. The check being payable to order, the holder acquired no title without indorsement of the payee. In the case we have been discussing the question would arise between drawer and bank. If the bank in any case is held to have the right to give cash to the bearer, it can charge the amount to the drawer, but not on the theory that it has paid a bearer check, but that, as payee, it has given value for a check payable to its order as to which it has acquired enforceable rights against the drawer.

Remittance to Cover Draft

A BANK remitting funds to the New York Banking House of K. N. & K., for the specific purpose of having same applied towards payment of a draft drawn on Switzerland, which draft is not paid because of failure of K. N. & K. before its presentation, is not an ordinary creditor but the money remitted is a trust fund recoverable in full from the receiver.

An interesting question has arisen as to the status of funds paid to Foreign Banking Houses in New York for the purpose of securing protection of drafts on Foreign Countries drawn by the smaller banks of the interior. Owing to the failure of a prominent concern in New York there are probably a thousand or more small banks interested in this question, and the legal department of our New York correspondent cannot give us any light upon the subject.

The question is, perhaps sufficiently indicated above but to make it certain I will make the missing question necessary to make it complete. We sent K. N. & K. a remittance to cover a draft which we had drawn on Switzerland. In the meantime and before the presentation of the draft K. N. & K. failed; are we ordinary creditors, or is the money a trust fund which we can claim prior and in preference to General Creditors.

Where money is remitted, as in this case, to the New York Banking House for the specific purpose of being applied to payment of the remitting bank's draft upon Switzerland and is not so applied because of failure of the New York Banking House before presentation of the draft, such money is not a general deposit, for which the New York bank is a mere debtor but is a trust fund for which the remitting bank would have preference in the assets in the hands of the receiver.

The courts quite generally hold that where money is received by a bank for a specific purpose and not as a general deposit subject to check and such money is not applied to the purpose intended but is mingled by the bank with its own money, the bank is not a debtor but its relation is fiduciary and where the bank fails, the money can be recovered by the depositor from the receiver so long as it can be traced into the bank's vaults and a sum equal to it is shown to have continuously remained there from the time the money was received by it until the receiver took possession. *Massey v. Fisher*, 62 Fed. 958; *People v. City Bank of Rochester*, 96 N. Y. 32; *Peak v. Ellicott*. 30 Kan. 156.

In *Stoller v. Coates*, 88 Mo. 514 a depositor drew a check on his bank, requesting it to place the proceeds in its correspondent bank to the credit of a third person, which the bank agreed to do. The bank then drew a memorandum draft to the correspondent bank, stating that its account had been credited with the amount of the check to the use of the third person but before the memorandum reached the correspondent, the bank assigned for creditors, after which the correspondent refused to accept the credit. It was held the amount of the check remained in the bank in trust for the depositor and not as general assets for the creditors.

In *Moreland v. Brown*, 86 Fed. 257 where money was deposited by A in a New York bank to be paid to B in Montana and the New York bank arranged for payment by the Montana bank, but the money was not paid because of the failure of the Montana bank, the court said the relation of debtor and creditor was not established but it was a special deposit made by the New York bank in the execution of an express trust in which the title to the money was in the plaintiff.

The principle of the above authorities and others which might be cited applies to the transaction of remittances to K. N. & K. for the purpose of covering drafts drawn by the remitting banks on drawees in foreign countries. The money not having been placed with K. N. & K. as a general deposit subject to check but for the specific purpose of being applied to the payment of drafts drawn by the remitting banks upon other institutions, such money did not become the property of K. N. & K., so as to make it debtor therefor, although it may have been mingled with the funds of that banking house, but it remained a trust fund which can be recovered by the remitting banks from the receiver.

The banks drawing such drafts will be liable to the holders as drawers of unpaid drafts, provided the necessary steps upon dishonor to preserve their liability are duly taken. But they will have a preference in the assets in the hands of the receiver because, according to the decisions, such remittances are trust funds and the relation between the failed bank and the remitting bank is not that of debtor and creditor.

Loans Decline, Payments Grow

The general financial and business situation of the country has so much improved, says Eugene Meyer, Jr., Managing Director of the War Finance Corporation, that the corporation has little to do at present except acknowledge the repayment of loans. For the last two weeks of June the advances approved amounted to only \$61,300, while for the year ending June 30 total advances were \$43,761,761. These advances compare with repayments of \$146,106,976 in the same period.

An even better evidence of the general business improvement, however, is the comparison with the operations of the corporation for the year ending June 30, 1922. In that year the total advances were \$279,060,319, and the repayments were \$142,733,114. In other words, there was a decrease this year of \$235,298,558 in advances and an increase of \$3,373,862 in repayments. While the advances exceeded the repayments by \$136,327,105 last year, this year the balance was on the other side of the ledger, the repayments exceeding the advances by \$102,345,215.

Standardization of Farm Products

C. B. SHERMAN
U. S. Department of Agriculture

WHEN great foreign trade associations adopt American standards for a world commodity a new era begins in the history of standardization of agricultural products. American standards for cotton, worked out with great care, used in domestic trade for many years and found satisfactory, have been accepted by Liverpool and Manchester cotton associations and the Havre and Bremen cotton exchanges, upon the recommendation of their representatives recently sent to this country. The official cotton standards of the United States have virtually become the universal standards.

Agricultural products have been among the last important products of trade to yield to standardization practices, but the movement has made gratifying progress. Nearly a decade of untiring educational work on the part of students, investigators and a few localized groups, several instances of successful use of compulsory standards, and the acute agricultural crisis following the World War combined to awaken recent general interest in the subject. Work toward standardization, formerly greeted with apathy or even hostility, then began to meet general encouragement and endorsement from many quarters including growers, the trade, educators and consumers. Demand for standardization is now so urgent that the investigators are likely to be pushed to the limit to be ready to make the necessary carefully-worked-out and commercially-tested recommendations when the necessity arises.

World trade in the staples early necessitated the use of grades in buying and selling but these grades were not uniform in the different markets and results were confusing. Use of grades in marketing cotton dates back to about the year 1800, soon after the invention of the cotton gin; but it was not until 1915 that uniform grades were used on the American cotton exchanges. The cotton futures act of the previous year called on the Federal Department of Agriculture to establish official cotton standards to be compulsory for cotton offered on future exchanges. They are also used as a basis for quotation in all spot markets of the country. Although attacked in the courts on a technicality so

that a re-enactment with slight changes was necessary, as early as 1915 a member of the New York Cotton Exchange declared the law to have "proven beneficial in many ways" and today it is doubtful if either of the large exchanges would consider a return to the old methods even if it were possible.

Just as the cotton futures act hastened the adoption of official cotton standards for the United States, so the cotton standards act of the recent Congress hastened the adoption of the American standards for American cotton in foreign countries.

Strengthen Collateral

THE official standards for cotton greatly facilitate the trading in cotton, and

grades for wheat, oats and shelled corn were promulgated and made mandatory in interstate and foreign commerce under this law. On July 1 of this year, official rye standards became effective.

Similar grades have been established for grain sorghums and milled rice which will be made compulsory when sufficient funds for enforcement are available. Meanwhile they are being voluntarily used to a considerable extent.

Through provisions of the United States Grain Standards Act, correct inspection of grain throughout the United States under a uniform system of standards, and reliable certification as to quality and condition of grain, are assured because only competent men licensed by the Secretary of Agriculture may inspect, grade and certificate the grade of grain for which the Federal government has established standards. All certificates issued by inspectors covering the grade of these grains clearly state that the inspector is a licensed inspector operating under and in accordance with the United States Grain Standards Act. More and more, bankers are insisting on grain inspection certificates issued under this Act.

Standards for the official inspection of quality and condition of hay have been established this year, after the endorsement of the hay trade associations.

Official Federal inspection has been established in several important markets, including New York City, Boston, Philadelphia, Chicago, Richmond and Alexandria, Virginia. Seven hay inspectors are also located at shipping points in New York State. Before Federal hay inspectors are licensed to inspect hay and issue certificates, they are trained under the direction of experts of the Department of Agriculture.

Another important step forward in the march of standardization made this year, is the adoption of official wool standards for grades of wool under the United States Warehouse Act, after endorsement by the Research and Standardization Committee of the wool and textile industry, and by wool producers and by the wool trade. These standards cover diameter of fiber only and much further study and work must be done that the standards may



Preparing sets of official cotton standards

add greatly to its value as collateral. Although cotton varies in three important particulars (presence of foreign matter, length of the fiber and discoloration present), through the use of the established standards, a comparatively accurate statement of the qualities of cotton may be made without actually handling the product.

Multiplicity of grain grades on American markets became so confusing that gradually the demand for uniform standards became insistent throughout the country. Farmers, grain associations, exchanges, manufacturers, foreign buyers, joined in the demand which crystallized in the passage of the grain standards act in 1916. The establishment and enforced use of a single set of official standards for American grain was the primary purpose of the law. Standardized Federal

eventually cover other properties of wool.

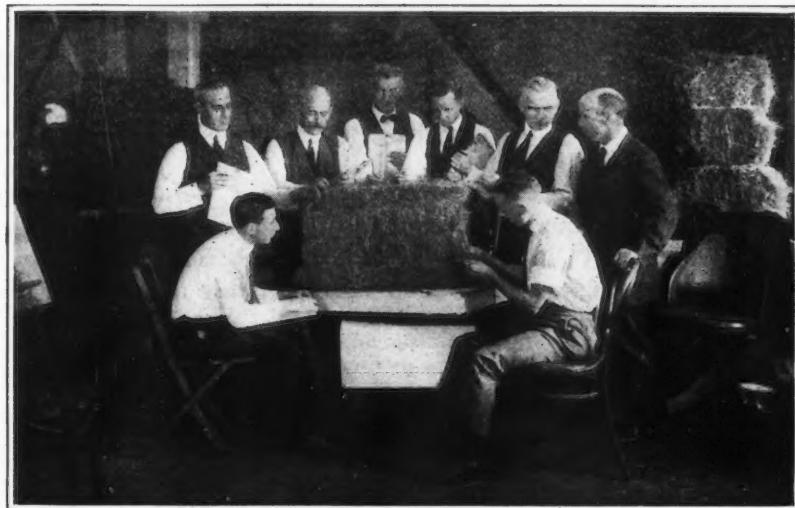
Noteworthy progress has been made toward national standards for live stock and meats. Market classes and grades of live stock and meats are quoted according to grades of the proposed Federal standards in the Federal market news service which is used on all large markets.

Standards and the results of their establishment are even more necessary in the financing of perishables and their movement than of staples. Farmers must usually work through organized units to finance the movement of a perishable crop; to finance it to the best advantage the organization must have a reputation for general soundness, and its products must have become known in the markets of the country.

An officer of one of the large banks of the northwest recently stated that there was evidence of competition among the banks of that region for the preferred class of business in financing the fruit crop of the Pacific northwest where previously there had been reluctance. Bankers had changed their attitude, he said, only because organization and science had so largely succeeded haphazard operation and speculation among the fruit farmers. Standardization of product, inspection, and use of an association trade-mark were the fundamental factors in the business reputation of growers' associations of that region. They adopted standards early in their development and guard them carefully by strict inspection.

Potato grades were among the first worked out for perishables by the Department of Agriculture, but they received little consideration until war conditions focused attention on many such matters. With transportation space at a premium, the Food Administration ruled that all potatoes handled by licensees be graded to United States standards and that only potatoes that reached those standards could be shipped. Many were the complaints at the time but, although these standards were compulsory only during the war, their very general use has since been maintained voluntarily, and United States No. 1 and No. 2 grades are found with increasing frequency on the markets.

As a result of much study, standard grades have been recommended for Bermuda and northern-grown onions, white



Training hay inspectors in standardization laboratory

and sweet potatoes and strawberries, and large quantities of these commodities are shipped under these grades. Texas, the great shipper of Bermuda onions, has made the grades compulsory in shipping from that state. Standards have been proposed and are now under commercial test for apples, asparagus, cabbage, cauliflower, celery, cucumbers, lettuce, peaches and tomatoes, and tentative standards have been devised for white Spanish shelled peanuts. National standards for tomatoes bunched vegetables and for honey are under study.

Containers

STANDARDIZATION of the containers of fruits and vegetables preceded standardization of the products themselves. In 1915 the standard barrel law abolished the use of barrels of all sizes. In 1916 the standard container act so regulated the huge number of sizes and shapes of grape baskets and berry and till boxes, that deceptive types were eliminated; grape baskets were made in two, four and twelve-quart sizes only, and berry boxes and till baskets were provided for in definite subdivisions and multiples of the dry meas-

ure quart. This law met with practically no opposition and its enforcement has been largely a matter of education.

Legislation now before Congress provides for five styles each of hampers, round stave baskets and market baskets, whereas we now have about 50 sizes and styles of hampers, 20 of round stave baskets and an unknown number of kinds of market baskets. On many curb markets of the country the market basket is the usual unit of measure for fruits and vegetables. Indorsement of this legislation is general.

Studies in earlier form are now under way for tobacco, for eggs and for other products. One of the largest co-operative tobacco growers' associations in the country has voluntarily adopted the tentative grades for four different kinds of tobacco outlined in preliminary form by the government investigator. The poultry committee of the State Agricultural Conference of Pennsylvania, recently convened, passed a recommendation "That the State Bureau of Markets exert its influence to have the Federal Department of Agriculture set a standard grade for poultry and poultry products."



Harvesting wheat at U. S. experiment station, near Washington, D. C.

Kansas Guaranty Certificates

By CHARLES F. SCOTT

Millions to Be Had at Fifty Cents on the Dollar—At Least \$6,000,000 in Certificates Outstanding and Only About \$825,000 in the Fund. Legal Restrictions against Levying Assessments Sufficient to Pay. Scheme Does Not Protect Depositors.

IN commenting upon the situation created by the discovery that the American State Bank of Wichita had been robbed of \$1,650,000 by the misconduct of its cashier, State Bank Commissioner Peterson was quoted as giving out the assurance that the depositors will lose nothing for the reason that the deposits are guaranteed under the State Bank Guaranty law.

It is greatly to be desired, of course, that innocent people should not be made to suffer by the criminal misconduct of a bank cashier. But assuming that Commissioner Peterson is familiar with all the facts of which as Bank Commissioner he ought to be cognizant, one cannot help wondering if this part of his statement was entirely advisable.

It seems to be the popular understanding in Kansas that the Bank Guaranty law puts the State of Kansas behind every State Bank, so that in case of a failure the depositor promptly receives from the State Treasurer a voucher for the amount of his deposit.

Of course that is not the case. The law simply provides that such state banks as desire to do so may enter the Bank Guaranty Association and by contributing a certain small percentage of their capital and surplus shall create a fund known as the Bank Quarant Fund. It is this fund and not the State Treasury which is behind the deposits in such banks as choose to enter the Association.

Merely a Certificate

BUT the law also provides that even this fund shall not be drawn upon to pay any depositor of a failed bank until all the assets of that bank have been realized upon. When a bank fails, therefore, a depositor does not receive for the amount of his deposit a check on the Guaranty Fund. He receives merely a certificate showing that he had on deposit in such bank such an amount of money. This certificate is not a promise to pay nor is it in any respect a negotiable instrument. It is merely an official certificate setting out a fact.

Of course when the affairs of the bank have been settled, when all its resources have been converted into cash, if there is still a balance due the depositor it will be paid from the State Guaranty Fund PROVIDED there is money in that fund with which to pay.

But here is the present situation:

Since the law was enacted there have been forty bank failures. All but seven

of these have been guaranteed banks. In pursuance of his duty the Bank Commissioner has issued to the depositors of these banks certificates of the amount of their deposits. The aggregate of these certificates now outstanding is variously estimated from \$6,000,000 to \$7,500,000. These deposit certificates bear interest ranging from 4 per cent. to 6 per cent., probably averaging 5 per cent. Assuming that there are but \$6,000,000 deposit certificates outstanding the annual interest charge upon the Guaranty Fund would be \$300,000.

Only \$500,000 in Fund

BUT there is now in the Guaranty Fund only about \$825,000, and by the terms of a law passed by the late legislature no additional assessment can be levied upon the member banks until this fund has been reduced to \$500,000, and only then in such amounts as to keep the fund up to \$500,000.

Now the difference between the \$825,000 in the Guaranty fund and the \$6,000,000 or more outstanding against the fund can only be met in one of two ways. First from the assets of the failed banks and the double liability of the shareholders; and second, from the Guaranty Fund itself.

The assets of a failed bank are always of inferior quality, for the best have already been used up, and of course the capital of a bank is always small in proportion to its deposits, so the amount realized by assessing the shareholders cannot go far. Taking the most generous view that can be taken it would not be unreasonable to expect that from these sources not more than 50 per cent. of the bank's liabilities can be realized. Applying this average to the \$6,000,000 (the smallest amount anybody estimates) of depositors' certificates now outstanding, there would remain \$3,000,000 for the redemption of which there is now available \$825,000.

The Kansas law was enacted in 1909. As stated, there have been 33 failures of banks covered by the Guaranty law since that time, and of that number only three have up to this time been paid out in full, these being little banks whose assets were quickly closed out.

In the early history of the Kansas law it was not difficult for the holders of depositors certificates on failed banks to dispose of them at a reasonable rate of discount to other banks. But since experience has demonstrated how "slow" this paper is, banks are shying away from it. In banking circles it is commonly reported that it would be easy to gather up several million dollars worth of these certificates at

fifty cents on the dollar.

All of which is why the glib assurance of Commissioner Peterson, that the depositors of the American State bank at Wichita need not worry because the Bank Guaranty law will take care of them, must be taken with a liberal allowance of salt.

Was Reform Movement

IN this connection it may not be without interest to remind the gentle reader that the idea of having bank deposits guaranteed by law was a "Reform" conception.

A number of other states, under the influence of leaders as visionary, erratic and demagogical as those who then dominated Kansas, enacted a similar law. The Register has been following the developments in some of these states and it has found them rather interesting.

In all these states, as a direct result of Bank Guaranty laws, state banks have been nationalized in great numbers, and that is the tendency in Kansas now. It is natural and inevitable that it should be so. Even Bank Commissioner Peterson, friend and advocate of the system as he is, in a recent public address, estimated that the bank failures that already have occurred in Kansas would impose an ultimate demand upon the Guaranty Fund of \$1,600,000 to \$1,700,000. Is it any wonder that banks conducted honestly and ably demur against making good the losses of banks which are managed, either dishonestly or without ability.

The Good Suffer

ALL of which simply goes to prove that a measure which is unsound in principle will not work out in practice no matter how plausible it seems nor how desirable the end it seeks to accomplish. It is fundamentally unsound to demand of one man that he pay the debts of another man except as he may personally engage to do so. While this is called a guaranty of deposits law it really is insurance, and it is fundamentally unsound to issue insurance in which the premiums are paid by the insurance company instead of by the beneficiary, and in which the good bear all the losses and the bad, who cause these losses, often profit instead of lose by the transaction.

The best guaranty of deposits in a bank is the character and ability of the man or men who conduct the bank. That has been true since banking came into existence and it will remain true as long as banks exist.

Pioneers at A. I. B. Convention

Old-Students Return for Annual Meeting in Cleveland, Where First Convention Was Held. Stephen I. Miller Jr., Dean of the College of Business Administration, University of the State of Washington, Elected Institute Educational Director

FOR its twenty-first annual convention the American Institute of Banking went back to Cleveland, the scene of the first convention in 1903. The convention this year was held from July 17 to 20 and one of its pleasantest features was the attendance of about seventy-five pioneers, most of whom were present during the entire convention.

In their honor Thursday was set aside as Pioneers' Day. It began with a golf tournament at the Oakwood Country Club, followed by a luncheon at the club in honor of the Pioneers, the hosts being the Cleveland Convention Committee. In the evening the Bankers Club of Cleveland gave a dinner for the Pioneers at the Hotel Hollenden.

Elected

THE announcement of the election of the new Educational Director of the Institute, Dean Miller of the College of Business Administration of the University of Washington at Seattle, was made on the first day of the convention. Dean Miller was elected to continue the work which "Uncle" George Allen carried on successfully for many years.

Dean Miller, who in private life is Stephen I. Miller, Jr., was born on a farm in Michigan, July 4, 1874. He was graduated from the University of Michigan Law School and later Leland Stanford University Department of Economics

and Government. He taught in rural and high schools in California until 1900, when he continued his studies for two years in France, England and Germany.

Returning to the United States in 1902,

he began a career of university teaching and business which extended over a period of ten years. Throughout this period Dean Miller taught at Stanford University, the University of Southern California, the State University of California and the University of Michigan, and for one year was Austin scholar at Harvard. For two years he was in the United States forest service.

Mr. Miller went to the College of Business Administration at the University of Washington in 1917 as professor of transportation. He was made Dean of the College of Business Administration within a few months after his arrival. For five years he has been in constant touch with all phases of business and industrial activities throughout the northwest, making surveys and counseling in public affairs.

During the war Dean Miller was special investigator for the United States Trade Commission, determining costs of Northwest food products and securing evidence of intercorporate relations. He was also professor of European institutions and military transportation for the student army training corps. After the war he was made United States counselor for the board of vocational education for the Northwest district.

Acceptance

IN acknowledging his election to the convention Dean Miller said:

"The nineteenth century will chronicle



Clarence R. Chaney, who was elected president of the American Institute of Banking at the Cleveland Convention, entered the employ of The Northwestern National Bank of Minneapolis as a messenger. For several years he worked in various departments of the bank but, in 1910, entered the credit department, with which he is still identified. In January, 1920, he was made an assistant cashier of his institution.

Mr. Chaney's principal interest, aside from his work in the bank, has been in the American Institute of Banking. He joined Minneapolis Chapter of the Institute in 1908 and for a number of years has been active in its work. He served the chapter as its president during the year 1917-1918 and began at that time a four-year term on its executive committee. He is an Institute graduate and, for a time, acted as an instructor in Standard Banking.

no greater event than the rise of the business profession. The growth of technical science and the development of complexity in the social world and in the business world is only one sample of the demand that is going to be put on modern business. The problems of modern business are not the problems that are to be solved by men who determine education in terms of experience, and they are not to be solved by men who assume that the problem of education is to be found in the field of specialization.

"One of the saddest commentaries of today is to be found in the fact that the public school system of the United States has for one hundred years been turning out tens of thousands of men and women who have had an opportunity of higher education and who as yet have not been sufficiently organized or sufficiently inspired to solve the problems that you have been talking about today. And one of the chief reasons for the failure in arriving at certain business and economic and social conclusions is to be found in the fact that we lack the proper correlated understanding of the problems of today.

"The educator has remained in his classroom. The minister has remained in his pulpit. The business man has remained in his business. These are not the minds that will solve fluctuating prices of 150 per cent. during the last twenty years. These are not the minds that will determine the equities involved in the fact that for every dollar's worth of commodities sold by the farmer, he is receiving only fifty cents. These are not the men who will answer the problem as to the 400,000 failures in business since 1881, carrying down more than \$8,000,000,000 in liabilities.

"The man of the future is the man of broad vision, not the specialist, and not the man who has based his education upon experience alone.

"Happy indeed should you be if you have been born under such conditions that you have enlarged your vision. You should indeed be happy if you have lived in those lonely spots that have permitted the development of your meditation and should be congratulated if you have been in that part of the country which by its natural resources has given you an opportunity to develop hope and enthusiasm, and best of all, I desire to congratulate that man or woman who has tasted poverty because it is out of the dust and out of poverty that you develop the spirit of democracy and cooperation."

Country Wide Convention

DELEGATES from the following chapters were in attendance at the Convention: Akron, Albany, Altoona, Asheville, Atlanta, Baltimore, Bartlesville, Beaver County, Beloit, Birmingham, Boston, Bridgeport, Buffalo, Butler, Charlotte, Chattanooga, Chicago, Cincinnati, Citrus Belt, Cleveland, Columbus, Dallas, Denver, Des Moines, Detroit, Duluth, Edgecomb-Nash, Erie, Essex County, Flint, Fort Smith, Fort Wayne, Fresno, Gary, Harrisburg, Hartford, Helena, Ithaca, Jackson, Jamestown, Janesville, Johnstown, Kansas City, Kenosha, Knoxville, Lancaster, Little Rock, Los Angeles, Louisville, Macon, Ma-

con County, Maricopa County, Memphis, Milwaukee, Minneapolis, New Castle, New Haven, New Orleans, Newport News-Hampton, New York, Norfolk-Portsmouth, Oakland, Ogden, Omaha, Philadelphia, Pittsburgh, Portland, Providence, Richmond, Roanoke, Rochester, St. Louis, St. Paul, Sacramento, Salt Lake, San Antonio, San Diego, San Francisco, San Jose, Scranton, Seattle, Shreveport, Sioux City, Sioux Falls, South Bend, Spokane, Stamford, Superior, Syracuse, Tacoma, Tampa, Toledo, Tucson, Tulsa, Utica, Washington, Wheeling, Winona, Yakima County, York County, Youngstown, Illinois State, Texas State, and Wisconsin State. There were 1903 delegates in attendance, representing a voting strength of 1882.

The report of Richard W. Hill, Secretary of the Institute, showed a healthy growth of the organization. Thirty-three new chapters were organized since the preceding convention, representing a membership of 3225. The total number of chapters is now 139 and the total membership 51,824. Approximately 26,000 students are enrolled in the Institute study courses. Six hundred and thirteen standard certificates have been issued during the year which brings the number of Standard certificate holders to 5,004. Elementary certificates have been issued to the number of 4,607. New chapters have been organized as follows: Altoona, Pennsylvania; Beaver County, Pennsylvania; Butler, Pennsylvania; Carthage, Missouri; Charlotte, North Carolina; Citrus Belt, California; Columbus, Georgia; Edgecomb-Nash, North Carolina; Fargo, North Dakota; Fort Smith, Arkansas; Fort Wayne, Indiana; Greensboro, North Carolina; Helena, Montana; Hudson County, New Jersey; Jackson, Mississippi; Jamestown, New York; Johnstown, Pennsylvania; Kenosha, Wisconsin; Lincoln, Nebraska; Macon County, Illinois; Marathon County, Wisconsin; New Castle, Pennsylvania; Newport News-Hampton, Virginia; Northhampton County, Pennsylvania; Olmstead County, Minnesota; Raleigh, North Carolina; Roanoke, Virginia; Shreveport, Louisiana; Sipix Falls, South Dakota; South Bend, Indiana; Superior, Wisconsin; Yakima County, Washington; and Youngstown, Ohio.

Defends Sound Money

PRIDENT Puelicher, of the American Bankers Association, was the principal speaker at the first session of the convention. Mr. Puelicher called upon the members of the Institute to defend sound money in the United States and the Federal Reserve System. He said:

"There is tremendous need to direct public education. The establishment of the Federal Reserve System is the striking achievement of these last few years, but misunderstanding, thoughtlessness, narrow class consciousness, selfish acquisitiveness, threaten the continued existence of that institution. Institute men, by virtue of the knowledge that they have, are absolutely forced to take upon themselves the responsibility of making known the purposes and functions of the Federal Reserve System, and to tell of the benefits of that System during the trying periods of the war and deflation which followed,—that had it not

been for the Federal Reserve System, the period of deflation would have brought to this country greater chaos and greater financial panic than the country had ever seen. Is it not necessary for those who have an intimate knowledge of banking and its requirements to see that objectionable practices are corrected and that the sound basic principles upon which the System rests are made known to voting America, so that at the expiration of the present charter of the System, American intelligence will demand its renewal?

"Then too, because of the advocacy of fiat money by several men who stand high in the estimation of the public because of their outstanding success in their particular lines of endeavor, there may be occasion for coming to the defense of the gold standard. One would think that the soft money experiences of Russia, Germany and Austria would forever banish the possibility of fiat money being proposed in a country such as ours, yet when commodity currency is seriously advocated by men of intelligence and ability, it may well be reasoned that their leadership might command a following which might put into jeopardy the gold standard which has kept the American dollar a safe measure of value. Here again, who would be better qualified than the members of the Institute to go to the defense of that which has meant much to the safety of American business, which has meant much toward the protection of the welfare of the American people?

The Banker's Duty

THE complexities of modern life require a more intelligent understanding of the economics of modern life. If, as has been so often said, the banker is the economist in business, upon whom would devolve the duty of bringing to the general public that knowledge of fundamental economics more than upon him who has been a student of banking and economics, more than upon him who is engaged in the profession which constantly has its finger upon the economic pulse of the nation? The work of public education of the American Bankers Association is calling to the young men of the American Institute of Banking.

"The defense of the Federal Reserve System and the Gold Standard is the specific need of the moment, the great general need is a better understanding of the economic relation of man to man."

As is the custom at the Institute conventions a large part of the time was taken up in committee meetings and conferences. At these meetings many important papers were read on technical subjects. At the second open session the principal speaker was the Hon. E. T. Meredith, Secretary of Agriculture under President Wilson. Mr. Meredith's speech was concerned with the importance of the farmer in the business life of the country. He said in part:

Farm Land and Business Growth

“BACK in 1870, we had 100,000,000 acres of improved farm land and 400,000 business houses in America. The improved farm land increased and the number of

(Continued on page 102)

Bank Clerks Reluctant to Join

**Third Attempt to Unionize Them is Now Being Made.
Labor Banks the Foundation of This Effort to Get Them into
the A. F. of L. So Far Only Few Have Joined New Organiza-
tion. New York Banks Planning Pay Increases on Merit Basis.**

THE third attempt to unionize the bank clerks of New York is now being made. It starts under more favorable circumstances than the first two abortive efforts, but the outlook for the final outcome is not much more hopeful, as far as the American Federation of Labor is concerned. This is realized, and privately, accepted by the Federation.

It was four years ago that the first attempt to unionize the bank clerks was made. At that time dissatisfaction was rife all over the country. Prices were away up and seemed to be going higher. It was the time of consumers' strikes and overalls parades. There was talk of unions in every walk of life. The Middle-Class Union was organized in England and there was the brief beginning of a Middle-Class Union in this country. The trouble here was that nobody would admit being as far down in the social scale as the middle class. So, there were whispers of a Bank Presidents Union. But that came to nothing and there was a start made on a Bank Clerks Union.

Isolated Union of No Use

THE bank clerks, however, would not affiliate with the American Federation of Labor and an isolated union is not of much use to anybody. They might strike, but they could not get any support in their demands. The first bank clerks union, therefore, went to pieces on the rocks of the A. F. of L.

Then, a couple of years later, an enthusiast put in his spare time for three or four months at the job. But at the end of that period found that he was just about where he started and he gave it up as a bad job.

The third attempt is the outcome of the organization of various labor banks around the country, more especially, those in New York. Labor now has twelve banks in various cities, with one labor controlled bank, while there are six more projected. The labor banks are:

The Amalgamated Bank of New York, established by the Amalgamated Clothing Workers of America.

The Federation Trust Company, of New York, established by the Central Trades and Labor Council, New York State Federation of Labor.

The Mt. Vernon Savings Bank, Washington, D. C., established by the International Association of Machinists.

The Engineer's Cooperative National Bank, of Cleveland, established by the Brotherhood of Locomotive Engineers.

The Peoples' Cooperative State Bank, of Hammond, Ind., established by the Brotherhood of Locomotive Engineers.

The Amalgamated Trust & Savings Bank, of Chicago, established by the Amalgamated Clothing Workers of America. The Producers & Consumers Bank, Philadelphia, established by the Central Labor Union.

The Brotherhood Trust & Savings Bank, San Bernardino, Cal., established by the Railroad Workers.

The Cooperative Bank & Trust Company, Tucson, Ariz., established by various labor groups.

The Federated Bank & Trust Company, Birmingham, Ala., established by the Brotherhood of Locomotive Engineers and the State Federation of Labor.

The First National Bank, Three Forks, Mont., established by various labor groups.

The Brotherhood Cooperative National Bank of Spokane, Spokane, Wash., established by railroad unions.

The labor-controlled bank is the Empire Trust Company, of New York, in which the Brotherhood of Locomotive Engineers had acquired an important interest.

The projected labor banks are:

The Fraternity Trust Company, Harrisburg, Pa., to be established by the railroad brotherhoods.

The Transportation Brotherhoods National Bank, Minneapolis, Minn., to be established by railroad workers.

The Brotherhood Savings & Trust Company, Pittsburgh, to be established by various labor unions.

Banks in St. Louis, Buffalo, Cincinnati, Los Angeles, Port Huron and New York.

Starts With 200 Members

SOON after the organization of the New York labor banks their clerks were unionized by organizers from the Bookkeepers, Stenographers and Accountants Union. That started the new Bank Clerks Union off with about 200 members.

With this nucleus the new union started out to proselytize. Ernest Bohm, secretary of the Bookkeepers, Stenographers and Accountants Union, says that they have taken in about 100 members from other banks and claims to be getting new members at from five to ten a week. He figures on something like 20,000 bank clerks in New York and thinks it will take about two years to get most of them into the new union.

Mr. Bohm says that the new union does not intend to inaugurate a series of strikes. "Our policy has always been to work by conciliation," he said. "We have never had a strike. We expect by a series of conferences with the bank officers to get higher pay for the bank clerks."

He points to a reported concerted move-

ment, among bank officials in New York to raise the pay of their employees as a victory already won by the new union. It is to be noted, however, that the labor banks are not taking part in this movement, while other banks know nothing about it.

Two banks, to be sure, are planning to raise the pay of some of their employees and a third is asking for data from one of these two. But there is no concerted movement and the plans of these two banks were made before there was any talk of the new union. As a matter of fact, one of the banks had schedules for increases in pay worked out in 1920, but the business depression came along and put a stop to the execution of the plans. What it is doing now is bringing those schedules up to date.

Rewards for Merit

THIS does not mean a horizontal increase in pay for all classes of employees but rewards for service such as would ordinarily be distributed, union or no union. An officer of one of the banks said,

"At certain intervals it is necessary to go over the records of the force and determine who has earned an increase in pay. If this were not done, rewards for good service would be both infrequent and accidental. In all fairness, such things should not be left to chance. A modest man might be overlooked for years, even though he were one of the most efficient men in the institution. The only fair way to do it is to have a system and a time for going over the records and giving substantial recognition to those who have earned it. I know of a big department store that goes over the records of one department every three months. When it has made the round of the departments, it starts over again."

"We are not worried by this talk of a bank clerks' union," he added. "Look out over that floor. There are 150 men there and no two of them doing the same work. You can't unionize, if you can't classify."

In another quarter it was pointed out that the American Institute of Banking is becoming every year a more important factor in the banking business of the country. Many of the present bank executives are members of the Institute while each year their number is largely augmented. The platform of the Institute says,

"As a result of the establishment and maintenance of the merit system in most banks a large number of Institute members have through individual application achieved marked professional success. We at all times and under all circumstances stand for the merit system and for the paying of salaries according to the value of the service rendered."

The Banker-Farmer Conferences

BY D. H. OTIS

Director Agricultural Commission, American Bankers Association

IN the series of banker-farmer conferences initiated by the Agricultural Commission of the American Bankers Association, progress is being made toward a better co-operation between the two classes to the end that the condition of the man on the farm may be improved. The progress is perhaps best illustrated by a banker-farmer meeting to be held in Texas. Efforts will be made by the Agricultural Committee of the State Bankers Association to get the attendance of 200 to 250 bankers at a special conference and to have each of these bankers bring a group of representative farmers with them to consider collective marketing.

While in Texas, collective marketing was regarded as being among the most pressing problems, in Georgia the assistance of agricultural students was in the forefront. In New York and New England, one of the high points was the necessity of educating the farmer as to the economy of using bank credit instead of mercantile credit. In Georgia it was thought that means should be provided to aid students to acquire agricultural education, and in North Carolina there is very evident need of making a beginning in diversified farming.

First Conference

THE first conference was held in connection with the Wisconsin College of Agriculture at Madison in March. The important point of contact for the work of the commission was established at this meeting in the form of co-operation with the agricultural colleges. The agricultural college is the fountain-head for agricultural information and we feel that tying up with these institutions will make possible effective team work.

In the Twelfth District

ON account of the extent of territory covered in the Twelfth District, the Director, besides holding a conference, attended the State Association meetings and conferred with the Agricultural Committees in the states in addition to addressing the convention. This was done in five states—California, Washington, Oregon, Idaho and Utah.

In each of these conferences it was agreed that the new agricultural committee would, as soon as practicable, meet at the agricultural college of their respective states and in conference with the college officials work out a program that they would recommend to the banks of their respective states.

Texas Marketing Problems

THE conference with the Eleventh District was held at College Station, Texas, July 6. The officials of both the

bankers association and the college felt that the big problem for Texas conditions was a system of collective orderly marketing. In order to bring this problem effectively before the bankers and the farmers of the state, it was agreed to have a Banker-Farmer meeting to be held at the agricultural college, December 10 and 11. Efforts will be made by the Agricultural Committee of the Texas Bankers Association to get from 200 to 250 bankers out and ask each of these bankers to bring with him from three communities. The college and the agricultural committee of the bankers association will put on a program and demonstration for the purpose of emphasizing the need of solving this problem and to point to ways by which a satisfactory solution can be reached.

Loans to Worthy Students

THE conference for the Sixth District was held at the Agricultural College, Athens, Georgia, July 13. The conference went on record as recommending that the State Bankers Associations of the representative states take such steps as they deem necessary in order to raise a fund for assisting worthy students who desire to complete a college course in agriculture or home economics. Over 100 young people in Georgia alone had corresponded with the agricultural college desiring to take a course but were unable to do so because of the lack of money.

This conference, recognizing the valuable work being done by county agricultural agents and home demonstration agents, went on record as favoring the employment of agents in each county of the respective states. It is deemed especially important that the banks secure sufficient appropriations to offset the appropriations made by the national government for extension work.

In carrying out a program for accomplishing these results it was recommended that a Banker-Farmer meeting be held in each of the states at the agricultural college. In this connection it was urged that the Agricultural Committee attempt to get out as many bankers as possible and to bring representative farmers with them. The colleges through their county agents and other extension forces would work with the bankers in the different counties to secure a large attendance of farmers.

"Live at Home"

THE Fifth District conference was held at Raleigh, N. C., July 17 and 18. This was a large conference. The pressing problem for this district, in addition to loans for worthy students, was to encourage the farmer to greater diversification. To this end, the conferees felt that the first big step was to get the farmers

to produce sufficient vegetables, fruit, milk, meat and poultry products so that they could practically live on the things grown on the farm. Many farmers now depend entirely on the cotton crop and from the profits on this crop they must buy the things named for their own tables. If these farmers can be induced to produce sufficient food for the family and sufficient feed for the live stock on the farm, it will be a big step in the right direction, and it will then be easier to get them to consider a still larger type of diversified farming.

New York

THE Second District meetings was held at Ithaca, N. Y., July 23 and 24, in connection with the College of Agriculture of Cornell University. Those participating in this conference felt that a better understanding between farmers and bankers would be beneficial to both. At present a large amount of the credit given to farmers is in the form of mercantile credit which is much more expensive for the farmer than is bank credit. It was felt that a campaign of education is needed to acquaint farmers with banking facilities. The conference recommended that the Agricultural Committee of the State Bankers Association, the agricultural college and representatives of the Farm Bureau and the State Grange get together for the purpose of working out programs and plans for meetings to be held in the various counties in the state.

New England

THE First Federal Reserve District conference was held at the Massachusetts Agricultural College, Amherst, Massachusetts, on July 26. There were representatives from Vermont, New Hampshire, Massachusetts, Rhode Island and Connecticut. While conditions are quite different in New England, which is an industrial district, the representatives attending the Amherst conference felt that more attention should be given to the agricultural problems of the district. Emphasis was made of the importance of the Boys' and Girls' Club work and the need of providing means by which their teams could attend state and national meetings.

Like New York, the New England conference felt that we should stress the importance of bank credit over mercantile credit. A resolution to this effect was adopted and is being sent to the agricultural committees of each of the State Bankers Association with a request that these committees get in touch with their respective agricultural colleges and map out a program for educating the farmer and others in regard to the importance and the economy of bank credit over mer-

(Continued on page 113)

Brighter Outlook for Austria

By ALAN G. GOLDSMITH

FOR the first time since the war there seems to be a hopeful tone regarding the future of the Austrian Republic. Ever since the armistice there has been considerable question as to whether Austria could survive as an independent political unit. With its population of about 6,000,000 people—almost 2,000,000 of whom are concentrated in the city of Vienna—with food resources which will feed the population only about six or seven months in the year, and with coal deposits sufficient to take care of only three months' requirements, there have been many dubious statements regarding the possibility of Austria to survive. The necessity for relief measures since the war to take care of a large proportion of the population, and credits which had to be advanced in order to prevent actual starvation increased the belief that the existence of this country was an economic impossibility.

Although this question has not been conclusively settled, yet there has been an enormous improvement in Austrian economic, and especially financial conditions, in the last few months. In October, 1922, under the general supervision of the League of Nations, the countries of Europe united in an effort at rehabilitation. Dr. A. Zimmerman, formerly Mayor of Rotterdam, was sent to Austria to co-operate with the government authorities and to execute a general plan.

Balance Believed Favorable

IT WAS the belief of the experts that fundamentally, including visible exports, Austria's balance of payments was favorable. In 1920, her adverse visible trade balance amounted to 770,000,000 gold crowns. This adverse balance increased in 1921 to almost 800,000,000, but in 1922 it diminished to about 544,000,000, or not quite \$110,000,000, the gold crown being equal in value to 20.26 cents.

The improvement in 1922 was accounted

for principally by increased agricultural and industrial activity during the past year. There have been increased imports of agricultural machinery and decreased food-stuff imports which were replaced largely by domestic production. Her increased coal production brought with it a marked development of industry.

Finally, in spite of the unfavorable economic situation, the Austrians saw that in order to benefit their position fundamentally they would have to develop their hydro-electric water power resources, and during 1922 they erected ten water power plants which relieved the coal situation to a considerable extent. Austria's two principal industries, paper and iron and steel, showed increased production during 1922.

An adverse item of even half a billion gold crowns in the visible trade is, however, a serious factor when one considers that Austria's visible trade, imports and exports, has amounted to only about 2,500,000,000 gold crowns a year. However, before the war the city of Vienna was the center of considerable activity which brought in large sums not shown on visible trade returns.

Favorable Trade Location

THE position of the present republic, at the crossroads of the main trade routes, running north and south and east and west, together with possibilities of the country for both rail and river traffic, gives good opportunities for profits in trading and shipping as well. The technical knowledge of banking and finance which still exists in Vienna, the former financial center of the Austro-Hungarian Empire, further leads to the belief that Austria could, by means of these intangible receipts, go far toward equalizing the shortage in her visible trade.

It was, therefore, decided to act first with a view to improving the budget situation of the country. In the first place, Austria's reparation obligations were postponed with

consent of creditor powers for a period of twenty years. Payment against credits contracted by Austria for relief purposes after the war was also postponed by the Powers interested, for the same period.

It was foreseen that it would take some time to reorganize the governmental machinery in Austria and to effect the reforms necessary in order to arrive at a balanced budget. The plan, omitting complicated details, therefore, provided that a loan was to be made, guaranteed by the Powers, which could be used in order to take care of budget shortages as they occurred. At the same time, when advances were made, improvements were to be shown in the fiscal balance. This procedure, it was believed, would prevent further inflation and at the end of the reorganization period, estimated at two years, governmental expenditures would be covered by revenues, while during the interim, the advances would prevent further issues of paper currency.

Interim Loans Floated

IN ORDER to obtain funds at once, interim loans were floated, partly internally by Austrian banks and partly abroad. These loans are to be refunded by the Austrian rehabilitation loan, which was floated in America and Europe in May.

The psychological effect of this effort at reconstruction has already been quite noticeable. The crown has been practically stable around 70,000 to the dollar since September, 1922. Savings deposits in crowns have increased from about 21,500,000,000 at the end of September, 1922, to 146,000,000,000 at the end of March, 1923, or 58 per cent. Large investments by both foreign and domestic interests have been made in Austrian bank and industrial securities. The flight from the crown has stopped and the population of the country itself seems to be convinced of its ability to survive.

Good Will Delegates Home

THE 97 business and professional women chosen in the Good Will Election held in New York last spring by the American Committee for Devastated France, returned July 8 from a six weeks' visit to France under the auspices of the committee. The tour included two weeks in the devastated regions, a week in Paris and visits to Alsace and the principal cities of Central France and Switzerland. Official receptions were given for the delegates by President Millerand and Ambassador Herrick in Paris and by Lord Robert Cecil at the headquarters of the League of Nations at Geneva. Miss Anne Morgan, chairman of the executive committee of the American Committee for Devastated France, entertained them at her home in Versailles.



Good Will Delegates from New York Banks at Lyons.

Developments in Foreign Fields

FTER several weeks of uncertainty and doubt as to whether the differences between France and England over the German settlement were not growing more pronounced and difficult of adjustment, the new British government under Sir Stanley Baldwin, drafted a reply to the German reparation proposals which seemed to offer every hope of affording a basis on which the Allies could get together. One of the most encouraging features of the British note was that it contained nothing indicating that it was to be taken as a final word. On the contrary, it suggested further inter-Allied discussion, and, most encouraging of all from the French point of view, opened the way to changing the occupation of the Ruhr to an Allied occupation instead of a Franco-Belgian occupation.

On July 14, the French Independence Day, Premier Poincaré had made a most intransigent speech at Senlis, the point of the nearest approach by the Germans to Paris during the war. But a few days later, evidently after having had time to appreciate the effect on British opinion of his Senlis declarations, M. Poincaré offered a plan for settling the reparations quarrel that seems to have furnished at least a part of the groundwork for the British plan.

Premier Poincaré proposed, briefly, to withdraw all immediate French demands on Germany except that for \$8,000,000,000 gold, which is necessary for the reconstruction of the devastated area. The remainder of the debt, so far as France was concerned, he said, might be postponed for ten or fifteen years. At the end of that time Germany would be called upon to pay the remainder of her obligations and the Allies could begin to discuss a settlement of their debts to each other. In other words, France would put off collecting from Germany, if Britain would put off for an equal length of time collecting from France.

British Note Held Up

ONE sees in this proposal the genesis of the British note. This becomes all the more evident when it is recalled that the British reply was about ready for transmission to the Allies when Premier Poincaré brought forth his proposition. It was then announced that the British reply would be withheld for further consideration by the Cabinet.

British advice to the Germans on their conduct in the Ruhr has also had a most soothing effect on the French. Chancellor Cuno is told that if Germany will modify her attitude in the occupied territory there will be very good hope of modifying the attitude of the occupying forces. It is in connection with this that the suggestion is made for changing the Franco-Belgian occupation to an Allied occupation, and then, the note says, it would be necessary to have an Allied conference to discuss both the sums to be demanded from Germany and the matter of guarantees and Allied debts.

The point on which there is still wide divergence of opinion concerns an expert

inquiry into Germany's ability to pay. The British note goes at some length into the question and is sympathetic toward the German desire for such an inquiry. France, on the other hand, has been and remains unalterably opposed to such an inquiry. France takes the stand that what Germany shall pay shall be fixed by the Allies and Germany shall have nothing to say about it except to write the checks. But as Britain has invited discussion of her note, there is strong hope that the French objections to an inquiry may be overcome, or modified, by this route.

In sending the note to her Allies, Britain at the same time sent a copy to Washington and asked for comment and criticism by this country. Although America has no part in the reparations payments, it is still hoped abroad that she will play an influential part in the final settlement.

An American Victory

THE Allies and Turkey finally reached an accord in their peace negotiations at Lausanne, America being credited with a victory in the treaty as at last agreed upon. The United States objected to confirmation in the treaty of contracts entered into before the war which had not been completed with all the necessary formalities. This country argued that such contracts were too general and too vague and that a general blanket confirmation of them was too likely to be applied to all sorts of alleged contracts, which might be in truth little more than dreams in the minds of their promoters. An amended clause was then agreed upon which specified the contracts to be included.

On their side, the Turks won a victory by the exclusion of all references to the Ottoman debt from the treaty. This means that they do not go officially on record as confirming the obligation of the debt. The Allies, however, made known their intention of insisting that Turkey must make some satisfactory arrangement with the bondholders for a moratorium for the payment of the interest on the debt.

Soviet Russia announced its adherence to the treaty despite the provision that a free passage should be kept open for warships to enter the Black Sea. George Tchitcherine, the Russian Minister for Foreign Affairs, in saying that Russia would sign the treaty, reserved the right to reopen the question of the Straits at any time that Russia's interests demanded it.

British Oil Monopoly

AMONG the pre-war contracts and concessions to be validated by the new Turkish treaty are the concessions of the Turkish Petroleum Company, a British enterprise, and the French railway grants in Anatolia. It is understood that the State Department in Washington is prepared to fight the claims of the Turkish Petroleum Company to an oil concession in Mesopotamia. Admitting the claims would mean giving Britain exclusive rights to the Mesopotamian oil fields, and the State De-

partment is unwilling to concede such an extremely valuable monopoly.

The State Department at Washington has formally denied that it is in any way hampered in the Near East by the Chester concession in Anatolia. In a letter to the National Popular Government League the Department said that neither it nor any of its officers in the field took any part in the negotiation of the Chester concession and that the American government had given neither moral nor written assurances that it would undertake, in the event of a dispute, to defend the concession.

In the meantime, there is said to be serious danger of the Chester concession being lost unless differences between the Canadian and American interests in the ownership can be composed. The enterprise must be under way by April 30, 1925, under the terms of the grant, and it is understood that the sum of \$300,000,000 is needed for a beginning, but thus far, it is reliably stated, no efforts have been made to get any bankers or financial groups interested in the underwriting because of the internal dissensions.

No Recognition of Russia

THE return of Senator Brookhart from Europe with his declarations in favor of recognition of Soviet Russia by America brought forth renewed declarations from Secretary Hughes that there can be no American recognition of Russia based solely upon improved economic conditions. Mr. Hughes said in a letter to Samuel Gompers, president of the American Federation of Labor, that the real basis for the American refusal to recognize Russia is in the Soviet government's avowed determination to destroy all existing governments as well as its complete lack of evidence of good faith, the fundamental condition upon which international intercourse must rest.

"It may be confidentially added," he continued, "that respect by the Moscow regime for the liberties of other peoples will most likely be accompanied by appropriate respect for the essential rights and liberties of the Russian people themselves."

According to official figures from Moscow, the Russian harvest this year will provide a surplus of more than 500,000,000 poods, of which over 200,000,000 will be for export. The total harvest is expected to be more than 3,000,000,000 poods, which is 800,000,000 poods over the 1922 harvest. A pood is approximately thirty-six pounds. The total sowing is 15,000,000 acres, as compared with 22,400,000 acres before the war. The total agricultural production for the country for 1923 is valued at 4,500,000,000 gold rubles, as against 6,500,000,000 in the year before the war.

Officers of the American Relief Organization, who have reached London from Russia, say that an epidemic of the malaria type and of enormous proportions is sweeping over the country. The disease is coming from Central Asia and has already spread over Asiatic Russia and entered European Russia.



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TERRA COTTA

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Profitable

The Condition of Business

Production of the Principal Crops is Very Close to Last Year's Figures. There Does Not Appear to be Adequate Basis for Pessimism Over Wheat. Farmers' Purchasing Power Will be Larger. Production Has Caught Up With Current Demand.

OF major significance in judging the purchasing power during the coming year for a large part of the nation's population is the recently announced estimate by the Department of Agriculture of the season's production of principal crops. The estimate made on the basis of the July 1 condition places production this year on the average very close to last year's figures. The winter wheat crop is estimated at precisely the same as last year, and the spring wheat crop at 41,000,000 bushels less. The corn crop is estimated slightly under last year's figure, and the cotton crop at 1,600,000 bales larger. The figures are shown in the following table:

Crop	1922 Production	July, 1923, Forecast
Winter wheat, bu.,	586,000,000	586,000,000
Spring wheat, bu.,	276,000,000	235,000,000
All wheat, bu.,	862,000,000	821,000,000
Corn, bu.,	2,891,000,000	2,877,000,000
Oats, bu.,	1,201,000,000	1,284,000,000
Barley, bu.,	186,000,000	198,000,000
Rye, bu.,	95,500,000	68,700,000
White potatoes, bu.	451,000,000	382,000,000
Sweet potatoes, bu.	110,000,000	93,700,000
Tobacco, lbs.,	1,325,000,000	1,425,000,000
Flaxseed, bu.,	11,700,000	18,000,000
Rice, bu.,	42,000,000	33,100,000
Hay, tons.,	113,000,000	99,000,000
Cotton, bales.,	9,800,000	11,400,000
Apples, bu.,	201,000,000	189,000,000
Peaches, bu.,	56,700,000	48,400,000

Wheat

THE announcement of the wheat crop immediately became the subject for numerous pessimistic observations to the effect that there was likely to be an over production of wheat and that the American farmer would be the sufferer. During the month the price of wheat at Chicago frequently dipped under the dollar mark.

The facts concerning the world wheat situation are summarized by the Department of Agriculture as follows:

"The best data available indicate a current wheat crop for the northern hemisphere moderately larger than that for 1922 for the same territory. The increase represents only a small percentage and might be wiped out entirely or increased by later developments in North American spring wheat or in the 1923-24 coming harvests in Australia and Argentina. On the other hand, the carryover stocks for both importing and exporting countries are apparently not greatly changed from last year?"

These facts do not appear to be an adequate basis for the prevailing pessimism.

Cotton

THE increase in the estimated production of cotton to a figure close to the average of preceding years is due wholly to an increase of acreage since the condition of the crop is about the same as last year.

The area planted in cotton this year is the largest in history, amounting to 38,287,000 acres, which may be compared with 37,458,000 acres planted in 1913-14. The July 1 estimates of yield are, of course, subject to a large variation. In the case of cotton, during the years since 1916 the actual harvest has differed from the July 1 estimate of yield by from 300,000 to more than 3,000,000 bales. The average variation has been considerably over 1,000,000 bales.

The Cotton Manufacturers' Association of Fall River has announced a curtailment of from 50 to 75 per cent. in the plain goods mills of that city.

The Farm Value of Crops

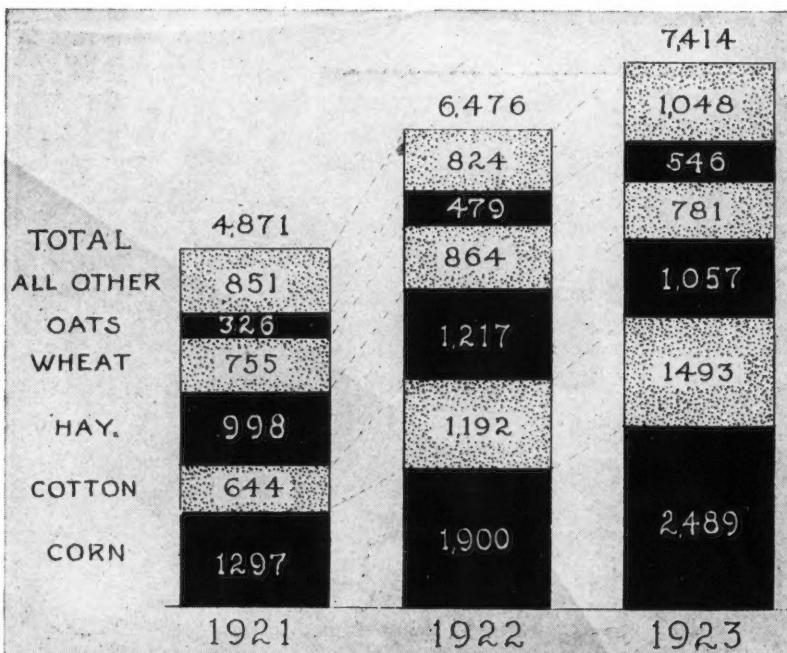
IN general farm prices of principal crops are higher this year than they were last year, perhaps the most notable increase being in the case of corn, which is selling in New York for \$1.09 a bushel, as compared with 81 cents a year ago. On the basis of the July 1 prices the Department of Agriculture has estimated that the value to the farmer of this year's crops will be in the neighborhood of \$1,000,000,000 larger than the value of last year's crops. In the accompanying diagram, prepared by the Federal Reserve Bank of New York, the esti-

mated value of this year's crops at July 1 prices, is compared with the December 1 value of the crops harvested in 1921 and 1922.

While price changes and the vicissitudes of weather and insects may materially alter these estimates, it seems likely that the purchasing power of the farmer will be larger than it was last year, and that this will be a favorable influence on business conditions.

Production Smaller

FOR several months it has been clear that business men have been exceptionally cautious in placing orders for the future delivery of goods, but during June and July for the first time this tendency has been reflected in the actual production records for important industries. The production of iron and steel, bituminous coal, copper, lead, zinc, tin, cotton goods, and other basic commodities was smaller than in May. The production index compiled by the Federal Reserve Board to summarize the output in basic industries stood at 122 for June, as compared with 127 for May. The cause of this reduction appears to be found in the fact that production has caught up with the current demand for goods, and in many cases recent pro-



Estimated Value of Principal 1923 Crops at July 1 Prices Compared With Dec. 1 Value of Crops Harvested in 1921 and 1922, in Millions of Dollars.

duction has begun to result in the building up of stocks of goods. In the past quarter the reserves of bituminous coal have been built up from 36,000,000 tons to 41,000,000 tons, and the present supply is equivalent to the needs for 41 working days. Stocks of crude petroleum are likewise being built up rapidly as production continues considerably in excess of estimated consumption.

Prices Lower

ACCOMPANYING less active forward ordering and somewhat reduced production, there has been a decline in the prices of basic commodities, which has been reflected in a drop of 2 per cent. in the Department of Labor index of wholesale prices. The way the declines are distributed among different groups of commodities is shown in the following table:

Group	1922		1923
	June	May	June
Farm products	131	139	138
Foods	140	144	142
Clothes and clothing	179	201	198
Fuel and lighting	225	190	186
Metals and Metal products	120	152	148
Building materials	167	202	194
Chemicals and drugs	122	134	131
Housefurnishing goods	176	187	187
Miscellaneous	114	125	123
All Commodities	150	156	153

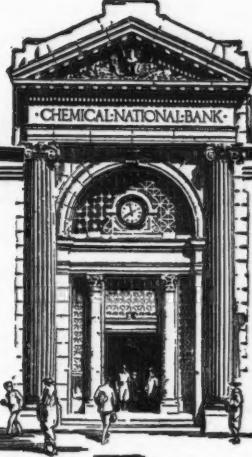
In June there were declines in all groups with the exception of housefurnishing goods which remained stationary. The largest decline was in building materials and reflects reductions in the past months in the permits secured for new construction.

Retail Prices

AN interesting feature of the present price situation has been the failure of retail prices to reflect in any marked degree the changes which have taken place in basic commodities at wholesale. Between May and June the cost of living index number of the National Industrial Conference Board remained practically unchanged, an increase in food prices being offset by a decline of about 3 per cent. in the prices of clothing. This total index is now about a little more than 3 per cent. higher than it was a year ago. The manner in which retail prices lag behind wholesale prices is indicated by the fact that one of the big woolen companies is now offering to garment makers its line of woolens for suits which will be sold next spring at prices which are 11 per cent. higher than the woolens which went into this spring's suits, and 6 per cent. higher than the woolens which went into suits for this fall. Before the selling price of suits for next spring is determined, there will enter into the computation the status of wages and the changes in wholesale and retail markets. Retail prices are made up from such a medley of causes that they are only distantly related to the movement of prices of basic commodities.

Wages

THE decline in wholesale prices has not been reflected by any downward movement in wages. In fact the movement has been in quite the opposite direction, and wage increases continue to be announced. In the month ended July 14, there were recorded 137 advances by the National In-



STATEMENT OF CONDITION
At the close of business, June 30, 1923

ASSETS	
Loans and Discounts	\$ 86,564,670.98
U. S. Bonds and Certificates	21,202,406.25
Other Bonds and Investments	5,530,374.08
Banking House	1,500,000.00
Customers' Liability Account of Acceptances	4,159,777.77
Cash, due from Banks and U.S. Treasurer	32,098,543.54
Interest earned	356,535.39
	\$151,412,308.01
LIABILITIES	
Capital Stock	\$4,500,000.00
Surplus	13,500,000.00
Undivided Profits	2,967,182.48
Reserved; Taxes, etc.	737,253.68
	\$21,704,436.16
Unearned Interest	541,802.43
Circulation	340,797.50
Acceptances	4,672,730.58
Other Liabilities	2,735,682.05
Deposits, viz.:—	
Individuals	\$93,239,586.65
Banks	26,629,672.64
United States	1,547,600.00
	121,416,859.29
	\$151,412,308.01

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BROADWAY AND CHAMBERS, FACING CITY HALL

dustrial Conference Board, as compared with 287 in June and 201 in May. Employment in factories was maintained at about the same level as in the preceding month.

Building

NOWHERE better than in the building situation is the opposition shown between the present movements of wages and prices. In June as in May there was a reduction in the value of building permits which were granted in principal cities

throughout the United States, and the decline was most marked in the cities of the central states. This decline has now been going forward since March when the highest figures were reached. Following some weeks after the granting of building permits, the amounts of contracts let for building purpose as reported by the F. W. Dodge Company have begun to show some decrease. These facts make it clear that the amount of building being undertaken is less than in the early months of the year and a direct reflection of these conditions is found in (Continued on page 99)

Irving Bank, Columbia Trust Company

NEW YORK

Statement of Condition, June 30, 1923

Resources—

Cash in Vault and with Federal Reserve Bank	\$41,466,419.40
Exchanges for Clearing House and due from other Banks	60,413,308.66
Call Loans, Commercial Paper and Loans eligible for re-discount with Federal Reserve Bank	111,488,936.69
United States Obligations	<u>20,735,007.59</u> \$234,103,672.34
<i>Other Loans and Discounts</i>	
Demand Loans	20,575,021.81
Due within 30 days	24,069,386.74
Due 30 to 90 days	38,056,166.00
Due 90 to 180 days	25,454,189.18
Due after 180 days	<u>2,022,169.40</u>
Short Term Securities	110,176,933.13
Other Investments	13,768,219.22
New York City Mortgages	2,534,585.70
Bank Buildings	4,638,705.39
Customers' Liability for Acceptances by this Company and its Correspondents outstanding [anticipated \$1,978,318.49]	4,983,810.66
	<u>18,636,092.11</u>
	<u>\$388,842,018.55</u>

Liabilities—

Capital Stock	\$17,500,000.00
Surplus and Undivided Profits	<u>10,675,027.40</u> \$28,175,027.40
Dividend Payable July 2, 1923	525,000.00
Discount Collected but not Earned	1,286,362.35
Reserved for Taxes, Interest and Expenses	810,616.74
Foreign Bills of Exchange sold with Endorsement of this Company	1,135,118.54
Acceptances by this Company and by its Correspondents for its Account outstanding [including Acceptances to Create Dollar Exchange]	20,614,410.60
Official Checks	16,406,521.64
Deposits	<u>319,888,961.28</u> \$388,842,018.55

The Condition of Business

(Continued from page 97)

the prices of building materials which, as has already been noted, have shown marked declines. Wages of building workers have continued to increase, however, and the explanation of this phenomenon may perhaps be found in the fact that the decreases so far have been in prospective building rather than in actual construction. The actual amount of building now going on is probably close to the construction capacity of the country, and continued increases in wages are resulting from a continued shortage of workers. Prices of building materials, on the other hand, are discounting the future, reflecting advance ordering for new projects.

Distribution of Goods

WHILE there has been a reduction in the output of basic commodities, and some decline in prices, the distribution of goods to the consumer appears to have gone forward in recent weeks at the same rapid pace as in the early months of the year. In the week ended June 30 the loadings of freight cars reached a new high record of 1,021,000 cars and for four consecutive weeks, loadings were maintained over the 1,000,000 mark. This heavy traffic was carried by the roads without stress and there was an increase in the surplus of freight cars.

In retail channels, as well, business appears to have been excellent in recent months. Sales of department stores which report to the Federal Reserve Banks have been well above last year's high figure. Chain store systems and five-and-ten-cent stores have prospered. Sales by these last-named stores in June were 22 per cent. larger than in June, 1922.

Foreign Trade

FOREIGN trade figures for June show a slight excess of exports following three months during which there was an import balance, a most unusual situation for this country. The actual volume of exports in June at \$329,000,000 was approximately the same as exports for May, and the changed balance was the result of decreased imports.

For the fiscal year ended June 30 the excess of exports over imports amounted to \$177,000,000, the smallest excess for any fiscal year since 1896.

Cereal Exports

LOW prices for agricultural products have frequently been ascribed to the lack of European demand. In the year ended June 30 the exports of cereals from the United States, including wheat, corn, oats, barley, rye, and wheat flour were 100,000,000 bushels smaller than in the preceding year, but nevertheless were 65 per cent. above the pre-war average of such imports. A fact not generally realized is that in the years since 1915 American exports have been exceptionally heavy and far above the pre-war average. The exports of such cereals in the year ended June 30, 1923, amounted to approximately 425,000,000 bushels, as compared with about 525,000,000 in the preceding year.

Gold Imports Continue

THE flow of gold imports into this country continued during June, with a year a reversal of this tendency was freely total of more than \$19,000,000. Early this predicted but has never been realized. For the fiscal year ended June 30 imports have amounted to \$284,000,000 as against exports of \$49,000,000, so that the excess of imports over exports has been \$235,000,000, as compared with \$441,000,000 during the preceding fiscal year. More than half of the total imports were received from the United Kingdom, partly for the payment of the debt to this country, and probably in part for investment here.

Banking and Credit

THE banking and credit situation has remained in healthy condition. The expansion of business which has taken place has gone forward with little expansion of bank credit, and money rates have continued easy since early in the spring. The continued receipt of gold from abroad, together with caution on the part of business men in their demand for credit, have prevented any stringency of credit.

Future Prospect

IT is in this very ease of the credit situation that the Harvard Economic Service finds ground for believing that the recent recession in prices and production is simply a temporary tendency, and maintains the belief that no major recession in business is in prospect.

A somewhat different view is taken by Colonel Leonard P. Ayres of the Cleveland Trust Company, who points out in a recent article that periods of prosperity following serious depressions such as that of 1921 are characteristically brief, because of the cautious attitude which such depressions lead business men to adopt. Colonel Ayres also finds an analogy between the present situation and that in 1909, following the great depression in 1908. In 1909 "a brief period of real prosperity followed the drastic depression and then gave way to a period of slow and dull business that might fairly be spoken of as being about normal business. So far during this period the developments have been of very much the same sort as they were then, and the recent actions of the stock market, and of the other indicators of business trends make it seem not unlikely that the records of 1911 may resemble those of 1911."

Vice-President For Oregon

Owing to the death of Mr. E. G. Crawford, who was Vice-President of the American Bankers Association for Oregon, Mr. C. H. Vaughan, cashier of the Butler Banking Company, Hood River, Oregon, Vice-President elect for Oregon, has been appointed by President Puelicher to fill out the remainder of Mr. Crawford's term.

Cashing a Check in Greece

CASHING a check in Athens is about as difficult as making an income tax return in the States, according to American Red Cross workers in Socrates' land. Waiting forms the greatest part of the transaction.

First you present the check to one of the numerous tellers. He looks the check over carefully, examining the signature, and if convinced that it is good, hands it back to you for your indorsement, which must be written in the presence of the teller.

He then makes out several copies of receipts for the amount called for by the check and requests your signature on these. When all of these papers have been properly signed, you receive a small bronze disk bearing a number. Then you wait until this number is called by another teller in another part of the bank.

After the check has been indorsed and the receipt signed, all papers are given to a clerk, who goes to the files and compares the writing on the check with the filed signature of the depositor. If the check is on another bank, this bank is called by telephone and the check certified. If the telephones are not working—as frequently happens—a messenger must be sent. All this completed, it receives the O. K. of the clerk and passes to the bookkeeper.

Here all the entries in the books of the bank are made. The depositor's balance is brought forward and all records of the transaction made. An auditor is called and checks all proceedings, for bank auditors in Greece audit each transaction as it is made. There is no auditing of the books each month.

Too Heavy For Wheat

THE International Farm Congress of America, in a call for its annual convention, says in part:

"There are too many farms that bring in little revenue, except the annual check for the wheat crop. The very soil is tired, and its tillers are worn out by the hopeless effort to make more acres of wheat spell more dollars."

"The time has definitely passed when wheat can carry all the overhead of an average American farm, supply the family of the owner or renter with money to buy the food supply for the year, and pay the cost of its own production and marketing."

"That time may never come again—certainly it will not until the United States ceases to be a wheat exporting nation, for the domestic price is based on the world price, and protective measures are proving at best only partially effective. The American farmer cannot successfully compete with the cheap land, cheap labor and water transportation of other countries, unless he can take a large part of the cost of operating his farm off of his wheat crop."

"Hope of relief through Governmental price-fixing is based on a false theory. Nothing can come of it."

"There is no necessity for experiments of any sort—economic, political, or by way of trying out new crops or new farming practices. It has been abundantly proven that this very region to which the conditions under discussion apply, is susceptible to a safe system of crop diversification and live stock production."

"All that is needed is a program, generally applied, which will bring in revenue every week in the year, to supplement the wheat check. Poultry, dairy cows and other live stock will do this. Such a program will provide twelve months' productive employment on the farm, instead of two. The resultant lessened production of wheat will cause an increase in price, in conformity with the law of supply and demand."



Spare your clients the experience of 1920

BUSINESS is plentiful, and industry is active throughout the country. But increases in the costs of material and labor are making it more and more difficult for manufacturers to operate at a profit.

What would happen if selling prices increased, keeping pace with wages and materials? This would be disastrous to prosperity. Such a move is more than likely to bring about a dangerous secondary inflation—to develop an economic situation similar to that of 1920.

The logical solution to the problem of continuing prosperity is *more efficient production*. The full productive co-operation of employees is the prime factor in harmonizing high costs with reasonable selling prices. By saving present payroll losses—losses which run as high as 25 per cent of annual payroll investment in some plants—industry can meet the consumer's challenge, and business generally can be kept in a state of healthy activity.

You urgently owe it to your clients and the community to give wise counsel at this time. And you will find much of sound, practical interest in our booklet, "Stopping Payroll Losses," which will be sent gratis on request. Please address Dept. G-3.

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Resources of State Banks

By R. N. SIMS

Vice President Hibernia Bank and Trust Company, New Orleans.

THE FOLLOWING table shows the same date for all national banks has aggregate resources of all banking been taken. The comparison shows 22,084 institutions under state control. It state banking institutions and 8,229 national banks and an excess of total resources of \$10,468,616,235.59 of state banking institutions over all national banks. The total state banking departments, the average date of the reports being April 3, 1923.

For purposes of comparison, the report \$32,081,329,235.59, while those of national of the Comptroller of the Currency as of banks are \$21,612,713,000.

Capitalization of the 22,884 state banking institutions is less than \$1,000,000,000 more than that of the 8,000 national banks. Their total deposits, however, are nearly \$10,000,000,000 more than the national banks. State banking institutions loans and discounts are nearly \$4,000,000,000 in excess of those of national banks.

STATE	Date of Report	No. of Institutions	Capital, Surplus & Undivided Profits	Deposits, Including Certified & Cashiers' Checks	Loans & Discounts	Bonds, Stocks, Securities, etc.	Total Resources
1 ALABAMA	4-20-23	254	\$22,000,028.94	\$106,871,102.65	\$90,915,557.84	\$9,851,424.82	\$132,577,448.40
2 ARIZONA	4-3-23	50	7,142,348.47	43,850,561.62	33,380,155.37	7,358,414.59	54,304,921.29
3 ARKANSAS	4-3-23	400	25,631,045.82	134,309,918.00	105,377,302.00	9,766,792.00	165,171,954.00
4 CALIFORNIA	4-3-23	424	182,251,830.97	1,713,493,553.80	1,143,590,629.56	459,067,728.04	1,938,952,889.03
5 COLORADO	4-3-23	225	14,767,225.20	98,017,934.02	64,238,340.75	25,393,892.63	115,437,774.83
6 CONNECTICUT	4-3-23	150	52,667,348.63	638,278,822.79	314,582,744.46	348,192,399.40	710,620,759.76
7 DELAWARE	4-3-23	42	13,535,374.65	69,036,645.62	38,152,779.13	35,326,527.77	86,046,903.86
8 FLORIDA	4-3-23	225	16,723,040.73	129,482,729.60	84,748,473.53	19,425,580.50	148,182,560.80
9 GEORGIA	12-20-22	599	55,979,414.82	173,250,444.84	188,142,696.60	15,307,338.89	280,521,575.71
10 IDAHO	4-3-23	110	5,433,152.83	27,488,412.34	23,055,209.48	4,491,735.48	36,490,715.31
11 ILLINOIS	4-3-23	1,411	272,866,684.67	1,858,500,449.13	1,307,099,040.03	475,380,509.54	2,233,830,520.87
12 INDIANA	12-29-22	852	70,975,654.97	432,384,860.52	341,421,967.99	79,345,375.05	580,142,114.11
13 IOWA	4-3-23	1,325	93,344,783.86	637,025,045.56	612,860,531.50	25,340,887.88	773,208,451.92
14 KANSAS	3-17-23	1,080	46,983,442.95	247,053,862.05	216,690,149.50	21,756,001.90	306,419,080.85
15 KENTUCKY	12-30-22	473	38,058,493.96	189,499,835.28	158,960,277.31	37,319,045.17	44,432,070.44
16 LOUISIANA	3-23-23	231	40,621,815.55	288,966,177.46	217,924,340.77	37,495,429.69	347,378,566.16
17 MAINE	3-21-23	94	23,410,055.10	238,749,595.15	90,927,092.57	161,301,671.62	267,982,358.86
18 MARYLAND	SAVINGS BANKS OTHER BANKS	12-30-22	200	60,365,986.91	389,592,382.59	169,095,768.15	193,992,646.03
19 MASSACHUSETTS	TRUST COS OTHER BANKS	10-31-22	504	406,407,000.59	2,514,014,419.92	1,610,617,029.02	990,041,377.39
20 MICHIGAN	4-3-23	531	124,806,668.59	946,484,182.83	361,276,205.80	530,701,063.39	1,115,101,619.83
21 MINNESOTA	4-3-23	1,161	56,555,837.41	439,487,006.21	326,787,138.11	100,111,228.36	517,302,867.99
22 MISSISSIPPI	4-3-23	323	29,378,848.54	147,865,044.14	106,152,702.38	22,596,078.14	174,874,695.52
23 MISSOURI	4-3-23	1,493	127,948,989.67	765,521,204.34	482,931,192.12	169,130,354.06	944,004,256.37
24 MONTANA	4-3-23	248	14,501,043.16	75,910,873.65	63,008,769.85	12,033,763.47	98,849,623.66
25 NEBRASKA	3-28-23	949	38,468,174.69	250,240,884.69	214,814,017.61	12,186,703.46	297,773,678.95
26 NEVADA	4-3-23	24	2,703,094.00	37,743,935.92	14,359,913.11	2,101,855.04	22,019,493.38
27 NEW HAMPSHIRE	6-30-22	70	10,649,436.66	153,000,534.90	72,124,787.46	71,873,190.10	169,159,325.84
28 NEW JERSEY	4-3-23	199	110,356,793.36	903,47,926.88	165,263,213.67	579,980,368.70	1,039,165,390.46
29 NEW MEXICO	4-3-23	60	3,612,351.00	16,406,012.91	16,234,423.56	1,393,776.02	21,838,866.36
30 NEW YORK	SAVINGS BANKS OTHER BANKS	1-1-23	619	593,029,150.66	7,231,083,763.05	2,301,726,640.00	1,198,666,750.87
31 NORTH CAROLINA	4-3-23	512	38,354,862.28	219,871,506.01	199,878,134.00	16,622,834.32	277,667,185.47
32 NORTH DAKOTA	4-3-23	656	15,114,755.37	95,811,913.49	99,245,779.41	6,246,723.14	129,910,238.82
33 OHIO	4-3-23	750	187,351,950.00	1,402,008,544.00	1,007,927,066.00	317,370,210.00	1,626,648,903.80
34 OKLAHOMA	4-3-23	448	11,390,189.16	75,940,075.39	57,573,098.24	11,110,144.42	92,922,294.72
35 OREGON	4-3-23	182	15,173,187.12	102,927,092.44	66,868,152.94	25,333,360.99	123,405,611.40
36 PENNSYLVANIA	4-3-23	770	457,944,263.07	1,972,183,606.92	1,103,368,822.56	943,990,839.64	2,500,364,644.41
37 RHODE ISLAND	OTHER BANKS	12-30-22	29	27,555,773.53	325,663,864.89	152,244,571.23	175,881,407.18
38 SOUTH CAROLINA	4-3-23	369	25,756,491.26	112,058,792.71	109,941,806.79	9,261,510.64	145,405,622.91
39 SOUTH DAKOTA	4-3-23	559	20,556,710.75	162,735,591.67	146,935,577.90	2,429,202.90	199,174,298.39
40 TENNESSEE	4-3-23	464	36,371,336.40	210,035,608.50	168,119,022.66	19,304,797.59	264,863,054.63
41 TEXAS	4-3-23	905	62,334,287.31	244,682,400.61	99,578,532.17	22,002,312.80	330,702,168.00
42 UTAH	3-24-23	97	12,781,158.30	74,171,372.37	63,635,896.78	15,767,378.89	97,980,877.34
43 VERMONT	4-3-23	59	12,890,364.55	132,784,421.21	103,907,700.53	34,018,311.08	148,473,246.80
44 VIRGINIA	4-3-23	334	45,687,835.58	135,715,651.75	163,775,829.46	18,350,228.31	218,797,048.88
45 WASHINGTON	4-3-23	278	19,922,074.25	153,068,794.71	102,880,355.02	43,080,104.38	184,040,462.46
46 WEST VIRGINIA	4-3-23	223	35,398,544.88	192,706,602.41	159,235,961.32	29,211,827.01	234,529,353.30
47 WISCONSIN	4-3-23	816	57,987,270.20	461,133,122.48	343,116,180.01	94,721,965.22	532,799,107.17
48 WYOMING	4-3-23	92	4,487,933.07	22,102,126.90	19,316,197.42	808,333.17	27,208,721.20
TOTALS (Average Date April 3, 1923)		22,084	\$3,641,444,001.50	\$27,013,525,116.92	\$15,547,076,777.07	\$7,438,706,885.68	\$32,081,329,235.59
Comptroller's Report for All National Banks	4-3-23	8,223	2,872,968,000.00	17,036,281,000.00	11,679,621,000.00	5,041,132,000.00	21,612,713,000.00
EXCESS OF STATE BANKING INSTITUTIONS		13,853	\$ 768,476,000.50	\$ 9,977,244,116.92	\$ 3,867,455,777.07	\$ 32,397,586,895.68	\$ 10,468,616,235.59

No. 1 of a series of monthly talks on the means of testing an appraisal.

"Appraised at \$2,500,000"

The man who encounters such a phrase in a financial statement is entitled to know whether this is the expression of a hope, an opinion, or a demonstrable truth.

It can be the latter only if the principles and practices of the appraisal organization are sound. To discern the evidences of value and accurately measure it, requires these basic qualifications:

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2. Unassailable disinterestedness
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4. Authoritative statistics
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10. Demonstrated achievement

These are the characteristics by which an appraisal organization—and hence, the truth of its appraisals—must be judged. They are the attributes which have distinguished The American Appraisal Company for a quarter of a century.

In a series of appraisal editorials to appear here monthly, we shall discuss each of these qualities—or complete information may be secured from our nearest office.

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APPRAISALS • REPORTS • INVESTIGATIONS
INDUSTRIALS • PUBLIC UTILITIES • NATURAL RESOURCES

C 1923, The A. A. Co.

A. I. B. Convention

(Continued from page 90)

til in 1890 the improved farm land is 350,000,000 acres, and the business houses have increased to 1,400,000. By 1910 the improved farm land had gone up to 450,000,000 acres, and the business houses to a million some six hundred thousand.

"Today, in the United States, we have roughly, 500,000,000 acres of improved farm land and 2,000,000 business houses.

"In 1870 we had a business house in the United States for each 435 acres of farm land. Today, we have a business house of some kind, whether it is your bank, or a barber shop, or a hair dresser, or something else—we have in the United States today a business house for each 275

acres of cultivated land.

"The average amount of money purchasing power that the farmers of this country have taken from each and every acre, each and every year, from 1866 to the present is \$14. The number of business failures in the United States out of each 1,000 each and every year for the same period is 95. There have been 95 business houses, some of them banks, some of them publishers, some of them steel corporations, some of them barber shops, etc., that have failed each and every year out of each thousand since 1866.

"So we have 95 and 14 for the two averages of business failures and farmers' income since 1866. And every time the farmer's income per acre has gone above \$14, the failures have gone below 95.

The Panic of '73

"FOR instance, in the panic of '73 agriculture took a drop and failures mounted. Agriculture stayed low clear up to 1900 and later. Seventy-six failures during all that period were above the average.

"Then, agriculture comes up, failures come down, and we have the high prices for the farmer during the war period and clear up almost to the present time and the number of failures is the lowest in history. They are clear down to 35 per 1,000. And then we have a reduction in the farm purchasing power, we get back to normal, prices come down, and immediately the failures start up again.

"Now, if we have confidence in life insurance tables, if we have confidence in other statistics, it seems to me that this proves conclusively that there is a relation between the purchasing power of the farmers of this country and business. And while we have spoken only of the failures in business, there were many thousands, many tens of thousands who were hard up, who had slow business, with whom conditions were not good.

How Money Pyramids

"The farmer's dollar means more to your cities, than it means to him. He has it once. When he spends his \$200 it is gone. He can't spend it over again. But suppose you are in the jewelry business, suppose one of you men here has a jewelry account and it is a little shaky and you would like to have business good with the jeweler. Two hundred dollars comes to town. An open wire fence maker gets it, but he goes out and buys a truck, and the truckman doesn't want a watch. There is \$400 worth of business without selling a watch.

"But the truckman feels that he has to have varnish to varnish up his string of trucks. That is \$600 spent, and the varnish man wants some new dining room furniture. He buys the furniture and the furniture man says, 'I am tired of this old watch. I will just buy a new one.'

"How would the jeweler have had his interest on that loan out of that \$200 if it hadn't started back here with the first \$200 that struck town? The farmer's \$200 means a thousand dollars to the town. It is vital that it should come to our town, but it is vital, more so, that the farmer should get it first, and it is trite to say that agriculture is fundamental and that it is all-important and leave it there, and to say that we love the farmer and are interested in helping him, and then hooking him ten per cent. interest up in northern Minnesota for regular interest, or taking five per cent. out of his tax money because we happen to be school treasurer or some of the other things that are all too common.

"The farmer gets his money steadily through the year, on the whole. One of them is selling corn, another one is selling wheat. One of them is in the dairy business and another in the sheep business. But altogether, this volume of money is coming in and having this effect on us right along.

"Now, if that is sound, in the first place, the opportunity to go into business is de-

pended upon the number of acres of cultivated land. The conditions of your business are only reflections of what has happened on all these farms in the United States because of the influence of this farmer's dollar coming to town and being traded five or six or seven times before you strike the man that wants the watch.

"What is there you and I can do? I'd like to say this to this group and say it in all sincerity, that I believe that in you men and women, the younger element in the banking business, there is more hope than there is in the older element, just as I believe that the hope today is in the farm boys and girls who are in the club movements of the United States rather than in the old men on the farm.

Help the Farmer

THE important fundamental of agriculture is that we should not say, 'We are the friends of the farmer,' but that we should say, 'We are going to help the farmer in some way locally,' and do it, and recognize how important it is, that it is only enlightened selfishness, that in doing that thing we have rendered the nation a real service because, it means satisfied homes in the country and in the cities. It means the solid foundation under this nation and not Bolshevism, not anarchists, and not radicals.

"We are doing our local communities a service in having more prosperous conditions and we are building our own businesses, bigger and better, through a serious attention to agriculture. So, it is enlightened selfishness, and you will find this, if you take an interest, real down-right interest. There is a thing I would like to suggest:

"You can get all the information you want on how to build barns, how to test, how to plant, all the different things about agriculture from your state agricultural college, from the Department at Washington, and there isn't a banker in this room, who can't make over his county, and I don't care what county it is, if he will just start in a mailing list, sending out information so that they will have better barns, and the next time better rotation; mailing out a bulletin once a month, say, for the next five years, getting into the hands of these farmers suggestions that will be thought out and worked out and studied out. There will be enough results from it to practically make over the community.

"It is being done and it can be done by enterprising local fellows who have interest enough to say it is worth while. And let me urge again that it is up to the younger bankers of the country rather than the older bankers, those over 70, and up to the younger men on the farms, the boys and girls, that need so much encouragement and that you can give so much encouragement to, rather than to the older farmers."

New Officers Elected

THE officers and members of the Executive Council elected for the ensuing year were:

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President—Clarence R. Chaney, North-Western National Bank, Minneapolis, Minnesota.

Vice-President—Edwin V. Krick—Mercantile Trust Company, San Francisco, California.

Members of the Executive Council—William Feick, Irving Bank—Columbia Trust Company, New York, New York; Ralph D. Spaulding, Illinois Merchants Trust Company, Chicago, Illinois; W. J. Evans, Federal Reserve Bank, Dallas, Texas; George S. F. Bartlett, Boston Five Cents Savings Bank, Boston, Massachusetts.

Baltimore having invited the Institute to

hold its 1924 convention in that city, the invitation was accepted by unanimous vote.

In acknowledging his election as President Mr. Chaney said:

"It seems to me as we have sat in this last session of our convention that the inspiration, the enthusiasm, of our meeting is going to carry back to the farthest corners of this country, and such enthusiasm coupled with the program ought to bring real results. Our Council and our Committees and our New Educational Director are beginning today to lay out a program which we hope will be bigger and better than any we have ever had before."



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Reduced Rates to the A. B. A. Convention

ROUND trip tickets on the identification certificate plan will be sold at one and one-half fare to delegates and immediate members of their families who will attend the convention of the American Bankers Association at Atlantic City, September 24 to 27. Tickets will be good via the same route in both directions only.

Round trip tickets require validation by agents of terminal lines at Atlantic City. Identification certificates will be forwarded to members of the Association in due course.

One certificate will be used by delegate and immediate members of his family.

If more than one person will attend from a member bank, additional certificates will be required and will be furnished upon application to the Secretary of the American Bankers Association.

Various passenger associations throughout the country and Canada have granted reduced rates as follows:

Chicago and East Thereof

From the territories of the Trunk Line Association, the New England Passenger Association, the Central Passenger Association and the Southeastern Passenger Association, the dates of sale of tickets will be September 20th to 26th, inclusive, and the return limit to reach original starting point is not later than midnight of October 3rd.

West of Chicago

Trans-Continental Passenger Association and Western Passenger Association—from Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nor. Michigan, No. Dakota, So. Dakota and Wisconsin, also from Julesburg, Colo., dates of sale—September 20 to 26th, inclusive, final return limit, October 3.

From Colorado (except Julesburg), Idaho, Montana, New Mexico, Utah and Wyoming, dates of sale—September 19 to 25th, inclusive, final return limit, October 4.

From Arizona, British Columbia, California, Nevada, Oregon and Washington, dates of sale—September 18 to 24th, inclusive, final return limit, October 5.

Summer excursion fares on a lower basis than round trip identification certificate plan fares will also be in effect from this territory. Tickets on sale daily from May 15 to September 15, inclusive, with return limit of October 31.

Southwestern Passenger Association, from Oklahoma and Texas, dates of sale—September 19-25th, with final return limit of October 4.

From Arkansas, Kansas, Louisiana and Missouri, dates of sale—September 20 to 26th, with final return limit of October 3.

Reduction will apply from all points in Southwestern Passenger Association territory.

The following southwestern lines are not parties to the reduced excursion fares herein announced: Arkansas & Louisiana, Missouri Ry.; Ft. Smith & Western R.R.; Graysonia, Nashville & Ashdown R.R.;

Jonesboro, Lake City and Eastern R.R.; Kansas, Oklahoma & Gulf Ry.; Louisiana & Arkansas Ry.; Mississippi River & Bonne Terre Ry.; St. Louis, El Reno & Western Ry.

Canada

Canadian Passenger Association (Eastern Lines Territory), dates of sale—September 20 to 26th. Return limit to reach original starting point not later than midnight of October 3.

Plan for Sessions

THE general plan for the sessions of the annual convention, is as follows:

Monday, Sept. 24; morning: General meeting of the Clearing House Section. Afternoon: General meeting of the Trust Company Division. Throughout the day there will be conferences of the committees and commissions of the Association, including the Executive Council, Administrative Committee, Finance Committee, Agricultural Commission, Commerce and Marine Commission, Economic Policy Commission, Bank and Currency Committee of the Economic Policy Commission, Public Relations Commissions, Committee of Five, Committee on Membership, Committee on Public Education, Committee on State Taxation, Special Committee on Taxation, Fiftieth Anniversary Committee, Insurance Committee, Protective Committee, Committee on Federal Legislation and Federal Legislative Council, Committee on State Legislation, and State Legislative Council. There will also be meetings of committees of the various Divisions and Sections.

Tuesday, Sept. 25; morning: General Convention session of the whole Association. Afternoon: General meeting of the Savings Bank Division.

Wednesday, Sept. 26; morning: General Convention session. Afternoon: General meeting of the State Bank Division.

Thursday, Sept. 27; morning: General Convention session. Afternoon: General meeting of the National Bank Division.

The headquarters of the Association during the convention will be the Hotel Traymore, and the general convention sessions will be held on Young's million dollar pier. The meetings of the committees, Divisions and Sections will be scheduled in various hotels at Atlantic City.

The entertainment program is being arranged by a local committee of Atlantic City.

Prize Funds

Early reports indicate that about \$900,000 is being offered in prize money to encourage Boys' and Girls' Club Work this year in the United States. Fourteen states have reported a total of more than \$263,000, or an average of \$18,800 per state. In one state the amount is \$75,000. Last year \$734,000 was awarded.

Favor Crop Insurance

ACCORDING to officials of the Department of Agriculture, who have been studying the question with a view of submitting their views to a special committee of the Senate, general crop insurance is feasible. Hearings are to be resumed before the committee in December.

"Crop insurance, it is believed, should cover actual damage sustained, but not theoretical losses resulting from failure to reap expected profits. Adherence to this rule would greatly lessen the difficulty of establishing a workable system, it is held," says a statement issued by the Department.

"What the farmer really needs is not an insurance contract which will guarantee him profits when nature fails to furnish them, but simply protection against crop damage so severe as to endanger his financial safety. Such protection, in the opinion of Department officials, could be given at a reasonable cost.

"Adequate insurance ought to cover all the principal hazards. Any policy that left particular hazards uncovered might leave the insured person worse off, since if he lost a crop by a hazard for which no provision had been made, his loss would be increased by the sum he had paid in premiums."

In the opinion of Department officials, a farmer ought to be able to get all necessary coverage on a simple policy, giving protection against damage from deficient or excessive moisture, from plant pests, from storms and frost, from hail and hot winds and from all other dangers.

They hold, in fact, that the policy should cover damage from any cause except the negligence of the farmer, when the damage is so severe as to bring the crop yield materially below the investment in the crop.

Farm Purchasing Power Rising

EVIDENCE that conditions are moving toward a healthier relationship between agriculture and business appears in figures issued by the Department of Agriculture showing that since January 1 there has been a steady increase in the purchasing power of farm commodities. Farm purchasing power in January, according to the Department's index number, was 68 per cent. of what it was in 1913. By May 15, the last date for which comparative figures have been compiled, the percentage had risen to 71.

It is believed that the advance indicates that forces are at least coming into play which will eventually iron out the disparity between agricultural and industrial product values, and thereby lay a solid foundation for general prosperity. In the first of the year the improvement in farm purchasing power was principally due to an advance in crop prices. Lately the same effect has been produced by a drop in the wholesale prices of non-agricultural goods. The net effect of recent price changes suggests, in short, that the influences which until recently were driving agriculture and business apart, have spent themselves.

It will take More than a Vacation to clear this Teller's Brow

He has brain fag from counting, sorting and handling coins; been worried by customers standing impatiently in line, grumbling at the bank's service or lack of service. He has fretted over little errors of making change—been a victim of the old head and hand method of handling coins.



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Bank
By
City

Looking Ahead to the South

(Continued from page 70)

In only one year out of the three since this great debacle occurred have the farmers of the South sold their commodities for enough to cover the cost of production. Except in the cases of those who have made profitable speculations, there have been no recoveries to speak of among those who dealt in his products or provided him the credit with which to produce them.

The average farmer in 1921 received for labor, risk and management, according to Forrest Crissey in the February JOURNAL of the AMERICAN BANKERS ASSOCIATION, the sum of \$183.00 as compared with eight times that amount paid the average railroad shop worker and ten times that amount paid the average miner. No comment appears necessary except an expression of amazement that while everybody from the Wall Street banker to the farmer himself is united in the realization that the farmer must be given relief there is almost equal unanimity in the opinion that more credit is all that is required. One of the last acts of the Sixty-Seventh Congress before adjournment was to provide additional facilities for agricultural credit. Meantime, the average Southern farmer stands about the same chance of liquidating his debts during his life-time as Germany stands of bringing the mark to par within a year.

The truth is that the farmer has been over-exploited by everybody who has had anything to sell from life insurance to lightning rods and from pure bred live stock to calcium arsenate. As a consequence, the farmer, who always spends all he makes, has been induced to spend all that he can hope to make in many years to come and is, therefore, forced out of the market as to the supplying of even his usual needs. Being the largest buyer in America, it is remarkable how anyone can foresee any permanent prosperity until he shall have been restored to his rightful place in the economic scheme. This cannot be done while industrial workers demand and receive several times the wage of the farmer with none of his risk, the burden being passed along to the consumer, for the farmer is the greatest consumer and therefore the greatest contributor to the maintenance of the aristocracy of union labor.

Another Lincoln Needed

IN numbers and in purchasing power the farmers constitute nearly one-half of the country. They are in economic slavery from which they are powerless to escape. That the nation cannot exist half slave and half free is as true now as when the sentiment was voiced by Abraham Lincoln regarding four million Africans. Will not the soul of The Great Liberator inspire some great soul of today to undertake the emancipation of forty million Americans?

Turning in conclusion for a brief glance at the industrial development of the south in recent years we find a more pleasing picture. The influx of capital and the vision that many capitalists have seen of the South as a great industrial section make its industrial future the most nearly certain thing in a present mass of uncertainties.

An all year operating season, proximity to sources of production of raw materials, absence of labor problems and an abundance of water power readily converted into terms of electrical energy is a catalog that omits few of the essentials of industry.

Not now but soon must New England and the Middle States surrender their three-quarters of a century of industrial leadership to the South, which formerly held it. Already in the case of textiles the South is rapidly forging ahead to the extent that just the other day the statement was made by a manufacturer of cotton cloth that not another spindle will ever be placed in New England.

Speaking of the labor question alone, he said that the cotton mills of the Carolinas are employing the second generation of the purest Anglo-Saxon people of America, the mountaineers of the section, who have been made happy and contented in comfortable homes and who have become artists in the operation of the spindle and the loom. On the other hand, in one New England mill the rules had to be printed in eleven languages in order to reach all the operatives, and then the laborers who spoke the language that chanced to be printed at the bottom of the card threatened a strike to protest against the discrimination. This resulted in the adoption of the policy of pasting upon a wheel the several copies printed in the various languages so that each could place his language at the top.

Even the traveler by train must note the growth in number during the last few years of the great familiar brick buildings with spacious, well kept lawns resembling so much in appearance and in occupancy colleges for young women, but which are cotton mills in Georgia and the Carolinas and tobacco factories in Virginia and Kentucky.

Fast Growing Industries

IN Birmingham the South has a city which in another generation will rival Pittsburgh in the manufacture of iron and steel, while the coal fields of Alabama vie with the oil fields of Texas, Arkansas and Oklahoma in actual and potential wealth.

Whenever hydro-electric power is mentioned in connection with the north, Niagara is visualized, while the south boasts of her Muscle Shoals, which, when politics shall have been eliminated, will be developed with either public funds or private capital into the greatest power site in all the world. Meantime, a multitude of plants are being erected on the smaller rivers and creeks in every state in the south for the lighting of the cities and towns and the generating of power for numerous small manufacturing plants that are yearly coming into being.

The demand of the building trades for material is fast robbing the south of her vast areas of timber and another decade will see wood used only for interior decoration. Just at present, this demand is providing the section with the greatest single source of the money so much needed. The loss of her forests will greatly reduce the value of her lands, unless this reduction is offset by the bringing into cultivation of the cutover areas, but it will mean the permanent improvement of her cities.

Excess Gold

(Continued from page 65)

throughout the major cities of the country. They are truly competitive rates. They respond quickly to changes in market conditions. Though these rates are not matters of published record, they are well-known

These rates are far more typical of the general market than are the published rates on open market commercial paper. Open market paper, in times of tight money, usually goes at much higher rates than the rates charged by banks to their customers. In times of exceedingly easy money, the open market commercial paper rates usually go somewhat below the rates charged to customers on lines of credit loans. The open market commercial paper rates, in other words, exaggerate the fluctuations in the general market.

It is true that in England many of the "advances" of the banks are made to their customers at rates above the official bank rate. The significant point, is, however, that the Bank of England does not rediscount advances to customers. It rediscounts only bills. In the United States, on the other hand, customers' loans are actually rediscounted with the Federal Reserve Banks. The essential principle involved in "keeping above the market" is that it shall cost a bank something to rediscount. It ought not to be possible for banks at the financial centers to borrow money from the Federal Reserve Banks and re-lend it at a profit.

There are really several rediscount rates at the Federal Reserve Banks: a rate on loans on government war paper; another rate, which may be different, on commercial paper; a third rate, which may be still different, on acceptances. The important thing is that each of these rates should be above the market rates for each type of loan.

If we develop a wide discount market for acceptances; if bills drawn in dollars, growing out of actual self-liquidating commercial operations, increase in number; if foreign banks develop the practice of holding such bills as an interest-bearing substitute for gold reserves; and if banks generally throughout the United States make a practice of carrying substantial amounts of such bills in their portfolios as an especially liquid resource, then the rediscount rate on acceptances may become the most important rate at the Federal Reserve Banks. The rediscount rate on acceptances in such a case may safely go much below the rediscount rate for customers' line of credit paper.

So long, however, as the chief item offered to the Federal Reserve Banks for rediscount is the one-name, line of credit paper of the customers of the member banks, our rediscount rates will have to be much higher than rediscount rates in Europe have usually been.

In other words, it is perfectly legitimate and eminently desirable that Federal Reserve rediscount rates should discriminate in favor of the most liquid paper, and that the bank which keeps itself in the most liquid position should be able to convert its portfolio into cash at a lower rate. Federal Reserve rates on different kinds of paper should be correlated with the liqui-



Bankers Invited

All over this broad land merchants, tradesmen and agents are, at an ever increasing rate, purchasing the products of the vast industries of the Great Lakes Region.

Bankers in distant cities are, as a result, being asked many questions about Detroit and Detroiters, Michigan and Michiganders, which they never before have been asked.

All such bankers are invited to correspond with this organization. Our close contact with the commercial activities of this district puts us in first position to serve you.

(Formerly First & Old Detroit National Bank)

FIRST NATIONAL BANK DETROIT MICHIGAN

The First National Bank, the Central Savings Bank and the First National Company of Detroit, are under one ownership.

ity of the paper, just as market rates, under natural economic law, are correlated with liquidity. In general, to the extent that the Federal Reserve Banks supply "money," Federal Reserve bank rates may safely be low, but to the extent that the Federal Reserve Banks are called upon to supply "capital," it is necessary that their rates should be high.

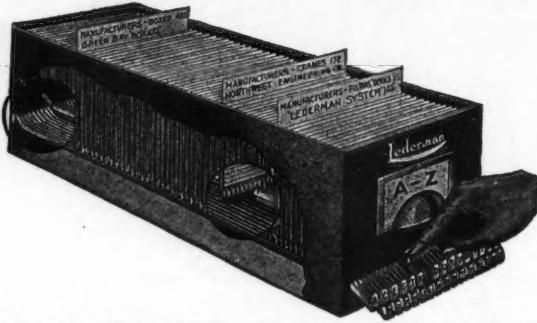
The Crucial Point

In conclusion, it may be observed that it is a city market concerning which we have been speaking. It is not proposed, nor is it deemed necessary, that the Federal Reserve Banks should try to get their rates above the rates which small country banks may be charging to local customers. If our Federal Reserve Banks will keep their

rates above the rates made under lines of credit to prime borrowers in the great financial centers, they will adequately limit rediscounting in the country generally.

Pending the adoption of this policy by the Federal Reserve System, a very special obligation is imposed upon the banks of the larger cities to keep themselves in unusually liquid position and to hold the financial situation sound. No criticism can attach to the small bank in rural communities for rediscounting its eligible paper with the Federal Reserve Banks in order to re-lend at a profit, although sound bank policy would in any case dictate that the country banker should "clean up once a year" with the Federal Reserve Bank, just as he has always been expected to do in his dealings with his larger city correspondent.

Immediate Selection Without Complicated Filing



Until the Lederman System of filing was placed on the market no method was known where the card could be filed in any part of the drawer and immediately found when desired, without even the use of an index.

The convenience—the time saving element of such a file is obvious.

Much time and many costly errors result through cards being filed behind the wrong guide. All this is eliminated in the Lederman System.

A simple press of the key and immediately the card or cards desired are exposed to view. After the card has been used it can be placed back in the file in any position and a simple press of the key will again display it.

Files are made in standard olive green finish, also in oak and mahogany at a slight additional cost.

Each drawer holds and comes equipped with 350 cards and is made in standard 3x5, 4 x 6, 5 x 8, and 6 x 9 sizes. The units are single or double in cabinet, made for vertical and horizontal expansion. Each drawer is removable and easily replaced.

For each card there is an aluminum holder, with place on lower edge for steel clips to be attached, the number of corrugation being equal to the number of keys on the front of the file.

The number of keys vary according to size of file. 3 x 5 has 26 keys, 4 x 6—31 keys, 5 x 8—44 keys and 6 x 9—50 keys. This permits an unlimited number of combinations.

The saving of time in many offices has paid for the installation many times over. We shall be glad to send you complete description of this filing system.

A limited number of territories are still open for high grade office specialty distributors. Also a few district manager positions are open. We shall be glad to hear from you. Write, giving full particulars

LEDERMAN SYSTEM, Inc.

402 Minahan Building

GREEN BAY, WISCONSIN

On An Unstable Basis

"ON our Western Trip," says the Banker-Farmer, "we took advantage of every opportunity to visit typical western farms. Among the farms visited was one in eastern Washington about fifteen miles from a banking town. The farm had recently been leased for a period of five years. The crops were looking fine, the alfalfa was one of the heaviest stands that it has been our privilege to see, and the wheat was very promising.

"Unfortunately, the father, a middle aged man, had just passed on to his reward. He had been a hard worker all of his life. He was not a spendthrift, he never drank and was not even a smoker.

He had previously carried some insurance but during the recent hard times felt compelled to drop it. Like the rest of us, he was a man who made some mistakes, but he was conscientious in doing his best, he was an early riser, and in order to finish up some rushing job, would occasionally use a lantern in the field.

"At the time of our visit, the family was in distress. The mother, with practically no business experience, was left with four children, the oldest boy having reached his majority, had signed up with a fishing firm for the season. The second boy, twenty years of age, had finished High School and was working in a distant town to save money to start his University course this coming fall. His father's death upset

his plan. He felt obliged to return to the farm and help his mother earn bread and butter for the family. Although disappointed, this son had not given up hope. He still counts on completing a college course even though it may be delayed from three to five years.

"One remark that he made was significant. He wanted to get his education in order that he might hold down a good job in the city, otherwise he felt that he would have to drudge through life as his father had drudged.

"Our sympathies went out to this family that had worked so hard and accumulated so little. In driving back from this farm, we noticed several abandoned farm homes. On the train, we noticed the same thing of the farms that were not abandoned, many did not even have what many of us would consider the very necessities of life.

"If this story represents an exception, it may not mean much. Our observation and experience, however, lead us to believe that there are many others who have to meet similar financial difficulties. If this case is typical of the condition that exists, we are then confronted with a problem in which all should be interested. If the farmer who rises early and works late does not receive an adequate reward to carry a reasonable insurance for his family, to educate his children and experience a few of the joys of life, then the industry is in a bad way.

"As a matter of fact, thousands of our ablest boys are leaving the farms for the city. If this is continued it will bring disaster. Now is the time to study the conditions, discover the trouble, and apply the remedy. Making all due allowances for mistakes, poor judgment, the lack of intelligence, and providential hindrances, the fact still remains that the farmer apparently is not receiving a reasonable compensation for his hard work and long hours, and until he is adequately rewarded, all of our other prosperity remains on an unstable basis."

Convention Calendar

Date	Association
Aug. 21-22	West Virginia
Sept. 5-6	Fairmont Kentucky
Sept. 6	Louisville Delaware
Sept. 7-8	Rehoboth New Mexico
Sept. 11-12	Cloudcroft Indiana
Sept. 18-19	Indianapolis Farm Mortgage Bankers
	West Baden, Ind.
Sept. 24-27	A. B. A. .. Atlantic City, N. J.
Sept. 26-27	Nebraska
Oct. 26-27	Omaha Arizona
Oct. 28-31	Tucson Investment Bankers Washington, D. C.

Guy E. Bowerman, formerly Executive Manager of the American Bankers Association is President of a new community bank—the Arlington Heights State Bank, which was opened for business on June 30 in Arlington Heights, Los Angeles. Dana H. Bennett is cashier and G. E. Bowerman, Jr., is assistant cashier.

Carl M. Spencer, connected with the Home Savings Bank of Boston since 1904 and treasurer since 1919, has been elected president to succeed the late George E. Brock.

John E. Tyler, a former Washington and New York bank man, was recently elected assistant secretary of the Jenkintown Bank & Trust Co., a Philadelphia suburban bank.

Credit Control

(Continued from page 71)

in the industrial districts. At present the individual Federal Reserve districts are meeting the calls upon them and the Federal Reserve banks are within the limits of their lending capacities. Lessened dependence of the member banks upon the reserve banks has been reflected in the much smaller total volume of reserve bank earning assets and in the smaller proportion of that total represented by paper discounted for member banks.

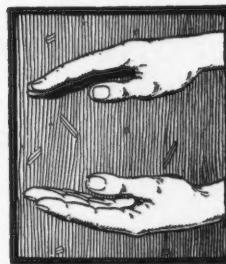
The total earning assets of the twelve Federal Reserve banks measure the volume of reserve bank credit in actual use and are continuously in process of adjustment to the demand for reserve credit. Rather than any single class of assets, it is this total which indicates at a given time the extent to which reserve bank credit is being utilized as a basis of member bank credit and as a source of currency. From this fact the utility of a uniform open market policy was seen by the Federal Reserve Board.

The experience of 1922 and the first quarter of 1923 brought out clearly the relationship between the open market operations of the Federal Reserve Banks and the demand for discount accommodations on the part of the member banks. During the first quarter of 1923, increase in discounts at reserve banks was accompanied by a decline in holdings of open market purchases, with a consequent stability in the total volume of earning assets. This condition was entirely different from the situation in the first part of 1922, when member banks were rapidly liquidating their indebtedness at the reserve banks and the volume of earning assets remained relatively constant, because the decline in discounts was accompanied by a corresponding increase in the holdings of government securities.

Individual Actions Differ

CONSIDERED individually, the relation between open market purchases and the discount of reserve banks has not held true. There have been large purchases of government securities by reserve banks in the interior without a corresponding decline in the discount for their member banks. But the fact that for the twelve banks of the system the combined earning assets have remained comparatively constant is considered by the Federal Reserve Board as indicative that a corresponding liquidation has taken place at other reserve banks.

Moreover, there have been difficulties to be overcome by the Federal Reserve Board in perfecting a practice of absolute uniformity in open market transactions. Some of the Federal Reserve Banks have acted independently of the others, which has to some extent lessened the effectiveness of the policy so far. But the subject has been thoroughly threshed out only recently by the Federal Reserve Board and a number of governors of Federal Reserve Banks and it is believed that the Board is now in a position to dictate its credit policies backed by a solid alignment of the twelve Federal Reserve Banks.



The Ojibwa Indian sign language made this thought clear by the holding of one hand above the other, horizontally, palms opposite or both downward.

*In this way
the Ojibwas said*

"He Measures"

HE weighs," "He counts," "He fills a promise"—these thoughts were closely related in the minds of the Ojibwa Indians. And they were important thoughts for them—so important that the Ojibwas devised a symbol by which this message of accuracy could be easily conveyed.



¶ In the business of serving the Mercantile's thousands of patrons we find that weighing important questions, measuring values and filling promises must command our greatest effort. Ours is a business builded on accuracy. That is the reason, perhaps, that Mercantile service unfailingly meets the most rigid requirements and frequently surpasses expectations.

Departments

Banking
Bond
Corporation

Real Estate Loan
Real Estate
Public Relations

Safe Deposit
Savings
Trust

Mercantile Trust Company

Member Federal
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EIGHTH AND LOCUST
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Capital & Surplus
Ten Million Dollars
-TO ST. CHARLES-

Corporate Financing

Wm. A. White & Sons

Established 1868
46 Cedar Street
New York City

WE will be pleased to discuss with established enterprises our facilities for negotiating immediate or future long term or permanent financing for expansion, refunding high-interest rate issues, refunding maturing issues, funding floating debt, or additional working capital.

Within the scope of our Corporate Financing Service are included analyses of the financial position and corporate requirements of each client; the preparation of plans for financing, and the negotiating with the banking sources best equipped to accomplish the underwriting required.

Our Corporate Financing Service is rendered for a reasonable charge, previously agreed upon, and to be paid only in the event of the consummation of the sale.

Proper presentation to the Underwriting Institution is of paramount importance.

It Stands the Record Test

THE material test of an investment is not current dividends alone—these may be paid by most companies in periods of general prosperity.

The material test is dividend *record*, plus what might be called "amount of stockholders' equity"—an assurance for the future.

The unbroken dividend record of American Telephone and Telegraph stock for over forty years is a matter of common knowledge. But it is not so generally known that there is an unusual stockholders' equity due to the conservative financial policy which the company has always followed. The company's funded debt now outstanding is less than 25% of its total capital liabilities.

This is a convincing explanation of the sound investment value of the stock and it is undoubtedly one important reason why A. T. and T. stock is held by more than a quarter of a million of people.

A. T. and T. pays 9% dividends on the stock outstanding. Today the stock can be bought in the open market to yield approximately 7%. Full information sent on request.



"The People's Messenger"



**BELL TELEPHONE
SECURITIES CO. Inc.**
D.F. Houston, Pres.
195 Broadway NEW YORK

Argentina

(Continued from page 79)

mission of banks into the "corporation" would be accorded by the bank with the approval of the Superior Council. The incorporated banks would invest not less than 20 per cent. of the amount of their deposits in national interest bearing bonds determined by the Banco de la República. The Superior Council would be empowered to reduce this proportion to 10 per cent.

The first question to consider with regard to the project for the establishment of the Banco de la República would be that of the functions of the Department of Conversion and Issue of that institution. These would be limited to the issue of national currency, its printing and minting, as well as the inspection and regulation of the circulating currency. The bank would regulate the amount of metal necessary for circulation and would avoid fluctuation in the value of the currency by exchanging only gold pesos for their equivalent in paper pesos. On the other hand, the conversion department would not allow the emission of a single bill without there having been previously deposited in the Caja de Conversión 40 per cent. in metal currency. The Banco de la República would be authorized to issue bills for two and a half times the amount of metallic reserves, to banks and agricultural companies in exchange for indorsed documents.

The fundamental danger lies in this right of issue. The originators of the project tacitly assumed that the banks, when asking for currency, would engage only in sound transactions, but experience has demonstrated that the lure of speculation is hard to overcome.

Rediscount for Emergencies

THE authors of the project for the establishment of the Banco de la República made it clear that the rediscount facilities would not be used to the direct benefit of the incorporated banks, or to the benefit of the cattle, agricultural, or other industries directly. This bank, according to the project, would extend rediscount facilities to the banks in case of necessity, in amounts according to the needs of the market and the financial condition of the institutions. Thus, rediscount would not be an ordinary function of the bank, but one of emergency.

This is undoubtedly one of the ideal functions of a central bank, but in the case of Argentina, it seems that a more conscientious study should be given to the matter of rediscount, since the financing of commercial, industrial, and agricultural enterprises of Argentina is to be regulated by one single institution. The lack of specialization in the credit reorganization of the country in the project under consideration leaves room for a possible financial crisis, as no special provisions are made for the handling of agricultural credits. When funds are distributed in abundance at a low rate of interest without the specific guarantee that behind the documents which represent them there is actual work directed to develop the national in-

dustry and agricultural enterprises, there is always a risk that such funds will be used in speculative operations.

The Banco de la República as projected would not be a reserve bank and with the simple transformation of the capital of a bank, the financial problem of Argentina could not be solved. It is not only necessary in that country to establish a reserve bank, but also another institution must be created destined to develop the agricultural credit, which would extend its direct assistance to the producer, so that the latter would obtain funds at reasonable rates, without the disastrous intervention of third parties.

Covered Too Much Ground

THE development of the agricultural enterprises requires capital at long term which commercial deposits cannot supply. The Banco de Buenos Aires of 1822, the Banco Nacional of 1826, the Banco de la Provincia and the Banco Nacional of 1872, disappeared not only because they were misused by the respective Governments, but because they were not built upon sound economic bases. All these banks, performed the functions of industrial, commercial and agricultural banks.

The Banco de la República would be empowered to perform the same functions, but they are incompatible. One by one the four banks just mentioned disappeared when the commercial deposits which must be kept liquid above and before all could not be paid out in cash, since they had been invested in mortgages or agricultural enterprises. The issuing of convertible paper ensued, with the consequent crisis and final collapse of the institutions.

With regard to the considerable capital of 129,000,000 pesos assigned to this institution, the Minister of Finances stated that other more important banks had not found it possible to raise a large capital with which to start operation. But the capital of a bank does not play a vital part in the discount functions of the institution. The capital has no bearing in the liquidations of discounts provided that such have been carried out in the regular manner. In other words, if the bank had only issued notes against bills of exchange, and these were represented by merchandise, the exchange of the bills for currency would have been the result of the sale of merchandise.

The Bank of England was established in 1694 with a capital of £1,200,000 and its first operation was to lend the total amount of its capital to William III, its founder, and this institution has conducted without interruption its discount operations since the date of its establishment. The Bank of Italy is allowed to issue currency amounting to three times the amount of gold reserves. The Bank of Spain may issue up to five times the amount of its capital, all issues to be guaranteed by a minimum of 25 per cent. in metallic reserve. The Bank of France was established with a capital of 30,000,000 francs and at present its capitalization is not larger than that of the Banco de la Nación Argentina.

All of these institutions have met with success, notwithstanding their relatively small capital. Furthermore, several Cen-

CONSISTENCY

Upon What Basis Do You Solicit Accounts?

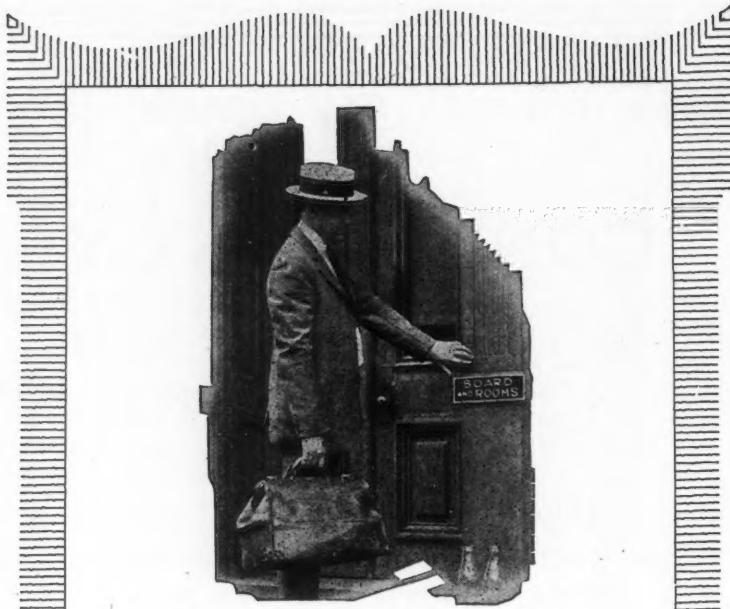
Upon the protection which the strength of your institution affords your depositors and the services which your facilities provide for them.

Are You Less Particular In Choosing Your City Correspondent?

We receive all items at par, send collections direct, make no charge for telegraphic transfers, and operate our Transit Department twenty-four hours daily.

*Capital, Surplus, and Undivided
Profits Over \$16,000,000*

THE
**PHILADELPHIA
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PHILADELPHIA, PA.



Is YOURS a Rooming House Town?

Hotels are inadequate or no longer modern, and this chap has to pull the door-bells of rooming houses to get a place to sleep. His stay will be brief; his impressions uncomplimentary. It MAY be your town! If it is, you lose a booster in every visitor. Your merchants lose market opportunities because fewer commercial men come to town. They also lose the free-spending tourist. Above all, you lose the greatest advertising asset a community can have—a distinctive hotel! Of all the community-financed hotels in the U. S., 97% were Hockenbury financed! Tell us your hotel troubles. We can help you make a booster of this chap!

The Hockenbury System Incorporated
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WANTED SALESMEN WITH BANKING EXPERIENCE

We have a few openings on our sales force that mean real opportunity. Our line embodies various advertising specialties in leather, paper and novelties, a line appealing particularly to banks. Remunerations based entirely upon ability. Aggressive salesmen earning from \$250.00 to \$600.00 per month. For particulars, address sales manager.

THE BRODERICK COMPANY,

ST. PAUL, MINNESOTA

entral banking institutions in Europe were established in times of acute financial stringency and shortage of currency. In Argentina the situation presents a different aspect. Therefore, is there any reason which may account for the exaggerated capital of the projected Banco de la República?

The project further provides that the Bank will be administered by a Board appointed by the executive with the approval of the Senate. A central bank cannot and must not be a Government institution, unless its establishment is directed exclusively to the managing of the Government finances. It would seem that the past experiences of Argentina in the subject of official banking would have taught the authors of the project the advisability of keeping the mechanism of the central bank free from all official interference.

It would see that the subject has been sufficiently discussed to formulate the following conclusions:

- (a) The intention has been to establish a central bank of issue and discount in Argentina, but its functions as projected could not be reconciled with the fundamental principles of central banking organization.
- (b) It would not fill its purpose, its functions of protection of the national circulation and of co-operation with the incorporated banks.
- (c) A bank of issue and control must not and cannot be an agricultural bank as the Banco de la República would become if established as projected.
- (d) A central bank to perform functions similar to those included in the project for the establishment of the Banco de la República, must not and cannot be an official institution. This is essential to keep the integrity of the bank and confidence on the part of the banks and the public in its strength and soundness.
- (e) A capital so much out of proportion as that proposed will be neither needed nor required for the establishment and functioning of such an institution.

On the other hand, the present condition of the banking, monetary and economic activities of Argentina present a most propitious period for studying the situation with a view to solving difficulties and correcting errors. The metallic wealth of the country is intact, the outlook is prosperous, the monetary system is sound although imperfect, the banking machinery is solid.

The best manner in which to have these favorable elements put together in the development and financial freedom of the country is again to study the subject, but under Government protection and assistance. The problem of protection of industries and balancing of budget will make it clear whether the establishment of a Federal Reserve System would be advantageous and practical in Argentina under the existing banking organizations. The matter of a thorough banking reform could then be studied, looking toward the adoption of the Federal Reserve System, which would undoubtedly be most beneficial.

Banker-Farmer Conferences

(Continued from page 92)

cantile credit. The emphasis on this resolution came not so much from the bankers as it did from the representatives of the agricultural colleges and of the farmers.

Impressions Made

AGRICULTURAL committees of the different bankers associations and the colleges of agriculture are in position to do effective team work. The colleges are experimenting and initiating new ideas and new methods to develop agriculture. Bankers, by the very nature of their business, are in the habit of passing upon the merits of various enterprises. When these two groups of people agree upon a program it is pretty sure to be constructive.

At all of the conferences held in the agricultural colleges, there has been a hearty response from the college officials.

In connection with the conference held at Athens, Georgia, President A. M. Soule made the statement that if we could carry out the program that was outlined at the conference meeting that we would do more for the agriculture of the state than has been done in the past ten years.

Membership Dues

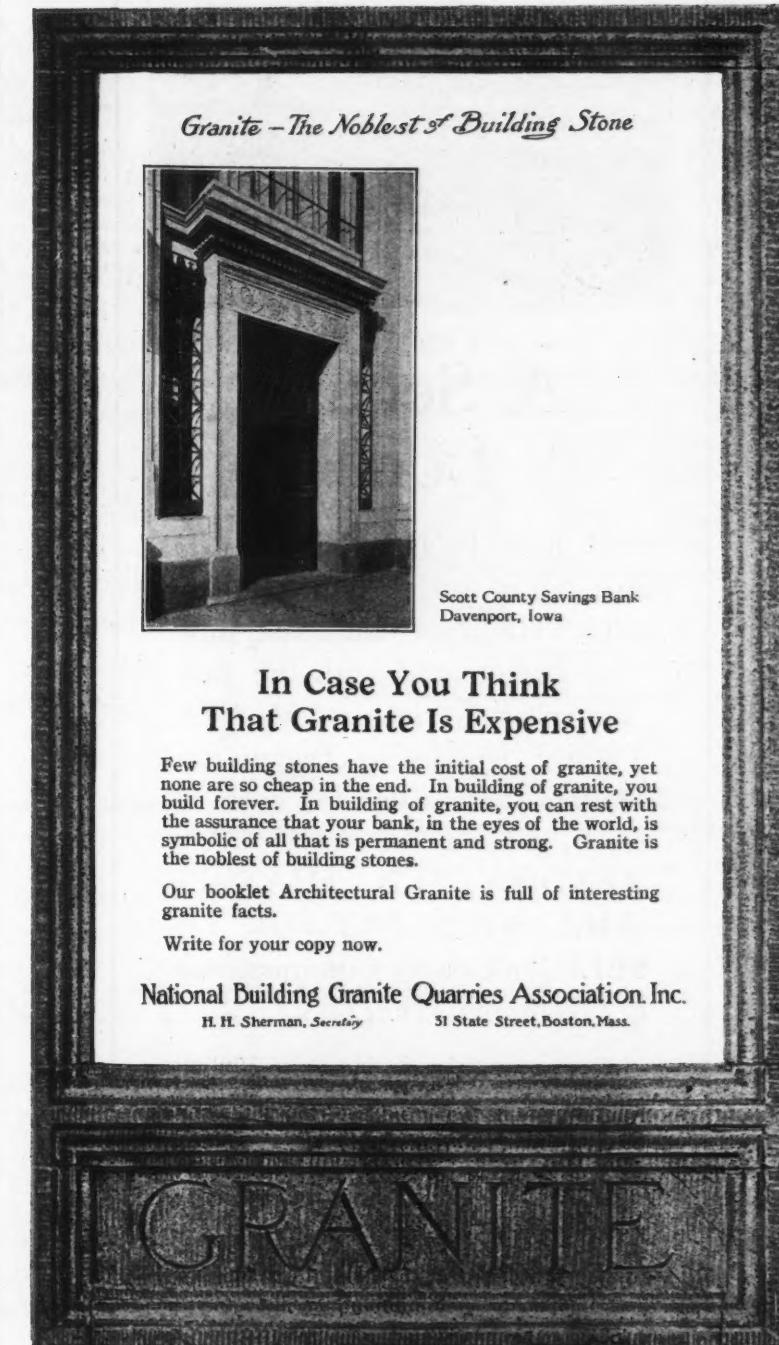
FROM the office of the Association at New York, members will receive, on September 1st, a certificate of membership for the fiscal year ending September 1st, 1924, signed by the Executive Manager, F. N. Shepherd, and countersigned by F. A. Irish, Treasurer.

A bronze insert showing dues paid will accompany the certificate and it should be placed in the sign of the Association held by members and displayed in a prominent position over the paying teller's window. The sign is a protection for it serves as a warning to those who might otherwise attempt a hold-up or commit other crimes.

Approximately 23,000 members are enrolled, comprising national and state banks, also trust companies and private bankers, positive evidence that membership in the American Bankers Association is valued.

The Constitution and By-Laws of the Association provide that membership dues shall be paid in advance as of September 1st, the beginning of the fiscal year. To avoid unnecessary correspondence and delay, members are respectfully urged to honor the certificates when presented. The schedule of dues for banks and trust companies (based on capital and surplus) follows:

less than \$25,000	\$15.00
\$25,000 and less than 100,000	20.00
100,000 and less than 250,000	35.00
250,000 and less than 500,000	50.00
500,000 and less than 750,000	75.00
750,000 and less than 1,000,000	100.00
1,000,000 and less than 2,500,000	150.00
2,500,000 and less than 5,000,000	200.00
5,000,000 and less than 10,000,000	250.00
10,000,000 and less than 15,000,000	300.00
15,000,000 and less than 20,000,000	350.00
20,000,000 and less than 25,000,000	400.00
25,000,000 and less than 30,000,000	450.00
30,000,000 and less than 35,000,000	500.00



In Case You Think That Granite Is Expensive

Few building stones have the initial cost of granite, yet none are so cheap in the end. In building of granite, you build forever. In building of granite, you can rest with the assurance that your bank, in the eyes of the world, is symbolic of all that is permanent and strong. Granite is the noblest of building stones.

Our booklet Architectural Granite is full of interesting granite facts.

Write for your copy now.

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H. H. Sherman, Secretary

31 State Street, Boston, Mass.



35,000,000 and less than 40,000,000	.550.00
40,000,000 and less than 45,000,000	.600.00
45,000,000 and less than 50,000,000	.650.00
50,000,000 and less than 55,000,000	.700.00
55,000,000 and less than 60,000,000	.750.00

PRIVATE BANKERS AND BANKING FIRMS:

Dues are based on capital employed in their business per schedule above.

DUES FOR BRANCHES OF ANY OF THE ABOVE CLASSES OF MEMBERSHIP:

With separate capital, same as schedule,

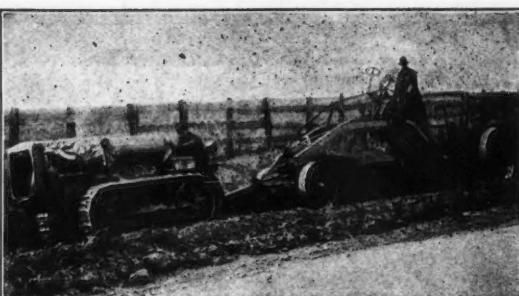
without separate capital, specifically set aside therefor \$15.00

DUES FOR MUTUAL AND CO-OPERATIVE SAVINGS BANKS or institutions without capital are based on their surplus or reserve fund, as per table above.

DUES FOR CANADIAN INSTITUTIONS:

Based on above schedule with the exception that \$250.00 is the maximum fee.

Please remit direct to the American Exchange National Bank, New York, in New York funds, making your check payable to that institution.



A Secure Loan

"I have been grading roads that cost from Seventy-five Dollars to One Hundred Dollars per mile by contract, and with the Best 'Thirty' they have cost from Twenty Dollars to Twenty-five Dollars per mile in cost of labor, gas and oil. YOU CAN READILY SEE THAT IT WILL SOON PAY FOR IT-SELF," a County Commissioner in Oklahoma writes.

Correspondence is invited with bankers who desire further information on the desirability of loans made for the purchase of a Best "Thirty" or "Sixty."

C. L. BEST TRACTOR CO.

San Leandro, California

55-823

**BEST
TRACTORS**

The Price of Rubber

(Continued from page 74)

awaken American rubber manufacturers to the grip a foreign monopoly had on their industry. And it was the after-the-war boom and subsequent depression that gave them their lesson.

In 1910 and the years immediately following there was a great rubber boom in London. The demand had suddenly become so enormous that rubber went to over \$3 a pound in the New York market in 1910. At that time many new companies were brought out in London and new plantations were established in the Far East that began to come into bearing at about the end of the War.

When these plantations began to produce, the after-the-war boom was on, business was soaring and their product was readily absorbed. But more plantations were coming into bearing all the while, and at the same time that the depression following the boom began to make itself felt rubber production was increasing.

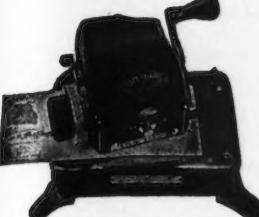
The demand kept up through the first half of 1920, but in the second half of that year the depression began to be felt in the rubber industry and there was a sharp falling off in the demand for rubber with an accompanying drop in prices. Ribbed smoked sheets dropped in the New York market from 59 cents a pound at the beginning of 1919 to below 17 cents by the end of 1920. Demand continued to fall off during the first half of 1921, and though production had been curtailed it was still greatly in excess of demand and prices dropped still lower to below twelve cents.

Recovery began in the second half of 1921. The demand practically doubled and prices went up to twenty-one cents a pound in the New York market. The demand continued in 1922, but more plantations were coming into bearing, pessimism was prevalent, it was not believed that the demand would continue and in the face of the increased demand prices again fell off in the first half of 1922 to a low point of thirteen cents a pound in New York. However, the demand continued throughout 1922, and under the combined influence of the continued demand and the operation of the Stevenson plan prices had recovered to 29 cents by the end of the year. In the beginning of 1923 the price went to 35 cents, the level desired by the planters and sponsors of the Stevenson plan, but slackening demand has carried it back again to under 25 cents, when this is written.

Production Cost

WHEN the planters saw the demand falling off in 1920 with production continuing to increase through new estates coming into bearing, they saw ruin staring them in the face. In a carefully worked out series of calculations British planters have figured that rubber must bring at least 32 cents a pound in order to pay 15 per cent. on the investment and provide for amortization. They consider 15 per cent. the lowest return that will induce capital to invest in such an enterprise as rubber planting, in which there can be no return at all for the first six or seven years.

(Continued on page 116)



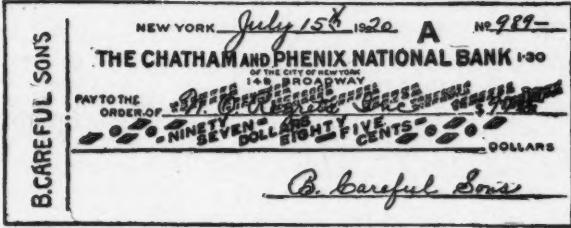
THE SAFE-GUARD CHECK WRITER—100% PROTECTION

THIS IS THE ONLY MACHINE THAT

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ANNOUNCEMENT

We desire to announce that the U. S. Patent Office on June 12, 1923, granted us reissue Letters Patent No. 15624.

This patent covers the Bank Screen Reflector which we originated and we intend to use all means possible to prevent encroachment upon the rights thus granted us by the United States Government. Infringers will be prosecuted.

I.P. FRINK, Inc.
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NEW YORK CITY

The Price of Rubber

(Continued from page 114)

Faced by the disintegrating markets of the last half of 1920, with prices falling far below the cost of production, leaving out of consideration any return on the investment, they began the agitation for the control of production, in order to bring prices back to a paying basis. All through 1921, with the demand rapidly recovering and production curtailed through voluntary efforts, the agitation continued. In 1922, with the rubber industry having the greatest year in its history, the agitation for control of production and artificially forced high prices increased.

At the end of 1921 neither planters nor manufacturers believed that the recovery that had begun in the last six months of that year would continue. American manufacturers estimated that their demand for plantation rubber in 1922 would be 180,000 tons and so informed the planters. When the demand continued to mount in the first half of 1922, both manufacturers and planters prophesied a debacle in the last half. Nevertheless, in 1922 American manufacturers took 290,000 tons of plantation rubber and went into 1923 with an estimated demand for well over 300,000 tons. And on October 28, 1922, with the conditions they feared already overcome by natural causes, the British planters put into effect the Stevenson plan for governmental control of production and artificial stimulation of prices, and American rubber manufacturers learned that their huge industry was in the grip of a foreign monopoly.

The Stevenson plan takes its name from

Sir James Stevenson, its principal proponent. Briefly, it provides for a sliding scale of export duties on exports of rubber from the British colonies. The purpose is to keep the price of crude rubber between a minimum of 32 cents a pound and a maximum of 38 cents a pound.

For purposes of calculating production and duties the world's production of plantation rubber from October 31, 1919, to November 1, 1920,—330,000 tons—is taken as the base or normal production. Sixty per cent. of that production is assumed as the normal demand. British planters are permitted to export with the payment of only a nominal export duty of one cent a pound 60 per cent. of their production between October 31, 1919, and November 1, 1920. But for every 5 per cent. of increase in exports there is an increase in duty, beginning with six cents a pound for the first 5 per cent. and thereafter increasing two cents for each 5 per cent. until the maximum of 24 cents a pound is reached with 100 per cent. of the base. There is a provision for raising or lowering the maximum amount for export at the minimum duty of one cent a pound, when the price goes above or falls below 32 cents, and there is a provision for allowing new plantations to begin exporting as they come into bearing.

Increased the Price

THESE are the essential features of the Stevenson plan. When it went into effect, rubber was at 22 cents a pound, which is conceded to cover the cost of production, though allowing nothing for return on investment or amortization. Soon afterward the price went to 35 cents, the goal of the British planters, but it has since receded once more to 25 cents.

Several things militated against the full success of the Stevenson plan. First, not all British planters were in favor of it. This resulted in large quantities of crude rubber being stored in free ports in advance of the plan going into effect. To this must be added a certain amount of smuggling. Second, the coming into bearing of new plantations has increased the amount of rubber released. And third, and, perhaps, most important, Holland refused to adhere to the plan, with the result that the Dutch planters have been exporting 100 per cent. of their product and reaping the full benefit of the efforts of the British planters to raise prices. Moreover, the Dutch planters have been exerting themselves to the utmost to increase production. Last, the late, wet spring so hurt the American market for automobile tires that the demand for crude rubber by American manufacturers fell off sharply and not even the Stevenson plan could keep the price up.

Nevertheless, there has been enough to show American manufacturers the possibilities of the foreign monopoly of raw material production. But at that, American manufacturers are far from being in agreement on the crude rubber question. There is one group, and this includes those who are plantation owners, that concedes the British demand for a minimum price of 32 cents a pound for crude rubber. This group says a lower price will not give an attractive return on the investment, all the conditions being taken into account, and that without

fresh capital and new plantations the demand will outgrow the supply in another three years and there will ensue another scramble for existing supplies that will send the price up once more to the 1910 level of \$3.12 a pound.

This first group is not entirely opposed to the Stevenson plan. It is a little uncertain in its attitude. It is theoretically opposed to artificial price fixing, but it is in sympathy with the British ambition for a stable price, and it says that if the Stevenson plan has done no particular good, it has, at least, done no harm. It believes that opposition from within by those planters who are able to produce at below the average costs and are consequently restive under restrictions will ultimately destroy the Stevenson scheme. But it is anxious that the price of crude rubber shall not fall appreciably below the 32 cent level.

The other group believes that British cost figures are entirely too high. It says that 22 cents a pound is ample to cover production costs and give a good return on the investment. An even lower price is advocated in many cases and it is sometimes said that rubber can be produced on the British plantation for 11 cents a pound. By this group the Stevenson plan is held to be merely a hold-up.

This group advocates American owned plantations on American territory. Through its efforts the last Congress appropriated \$500,000 for commercial investigations of which \$100,000 was specifically directed to be used for a rubber investigation by the Departments of Commerce and Agriculture.

The second group is dissatisfied with the assumption that the Hevea Brasiliensis is the only practical rubber tree. It would like a rubber producing shrub or bush found that could be grown in Arizona. It thinks rubber cultivation on American owned and controlled plantations should be practicable in South America and it advocates rubber planting in the Philippines, Central America and Mexico.

All Discarded

ALL of these propositions have already been tried and discarded by men who have had practical experience in rubber planting, but they are to be investigated again by the government. Brazil, Bolivia and Peru are all holding out inducements for American investments in rubber plantations, while the southern Philippines are conceded to be suitable in soil and climatic conditions. The northern Philippines are in the typhoon area, which makes them unsuitable.

The general handicap which militates against all of these proposals, however, is the labor situation. On the British and Dutch plantations Chinese coolie labor can be used at from ten cents to twenty-five cents a day. There is no such cheap labor supply available for any of the other localities. The importation of Chinese coolie labor is prohibited by law in the Philippines. There are other special and local objections in each case, but undoubtedly they could be overcome, if the labor problem could be solved.

At the best, it would be from seven to eight years before new plantations could come into bearing.

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